

BATH COUNTY SCHOOL DISTRICT

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2025**

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS

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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
Members of the Board of Education
Bath County School District
Owingsville, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bath County School District (the "District"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and the Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter—Adoption of New Accounting Standard

As discussed in Note (16) to the financial statements, the District adopted GASB Statement No. 101, *Compensated Absences*, which resulted in a decrease to beginning net position of \$762,911. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information on pages 6 through 9 and the Schedule of District's Proportionate Share of the Net Pension Liability and Schedule of Pension Contributions and the Schedule of District's Proportionate Share of the Net OPEB Liability (Asset) and Schedule of OPEB Contributions on pages 54 through 67 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we

obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying other supplemental schedules and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplemental schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Kelley Halloway Smith Hooley, PSC

Ashland, Kentucky
December 2, 2025

**BATH COUNTY SCHOOL DISTRICT
OWINGSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
FOR THE YEAR ENDED JUNE 30, 2025**

As management of the Bath County School District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements.

FINANCIAL HIGHLIGHTS

- The beginning cash balance for all funds of the District, excluding fiduciary funds, was approximately \$25,864,958 and the ending balance was approximately \$21,532,620, a decrease of approximately \$4,332,338 for the year.
- The General Fund had \$19,778,341 in revenue, excluding transfers, which consisted primarily of the State program (SEEK), and property, utilities, and motor vehicle taxes. Excluding interfund transfers, there was \$20,397,308 in General Fund expenditures.
- Bonds are issued as the District renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. The District's total debt, excluding lease obligations, decreased by \$1,780,514 during the current fiscal year.
- Net pension liabilities required to be recorded under GASB No. 68 decreased during the year. Non-professional staff members are covered by the Kentucky County Employee Retirement System. Under this system, the District's share of the pension liability was \$5,550,371 as of June 30, 2024, which represents a decrease of \$778,745 from the June 30, 2023 balance of \$6,329,116. The Kentucky Teachers Retirement System covers the District's professional staff members. The District's allocated pension liability as of June 30, 2024 was \$37,283,738, which represents a decrease of \$1,615,091 from the June 30, 2023 balance of \$38,898,829. However, this pension liability is the responsibility of the Commonwealth of Kentucky.
- Net OPEB liabilities (assets) required to be recorded under GASB 75 decreased during the year. There are two sources of OPEB liabilities with which the District has to contend. The Kentucky Teachers Retirement System (KTRS) Medical Insurance Plan and Life Insurance Plan covers the District's professional staff members. The District's allocated OPEB liability as of June 30, 2024 for KTRS Medical Insurance Plan was \$4,901,000 with the District's responsibility being \$2,592,000 and the Commonwealth of Kentucky's responsibility being \$2,309,000. The liability for the KTRS Life Insurance Plan is the responsibility of the Commonwealth of Kentucky and the District's allocated amount as of June 30, 2024 was \$53,000. Classified staff members are covered by the County Employee Retirement System Insurance Fund. Under this fund the District's share of the OPEB liability (asset) was \$(160,699) as of June 30, 2024. The District does not believe these disclosures will have a major impact on their day-to-day operations or the financial health of District. The District's bond rating is based on the State's rating, so the District has little control over the cost of borrowing.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets, deferred outflows, liabilities, and deferred inflows, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (government activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues. The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The primary proprietary fund is our food service operations. All other activities of the District are included in the governmental funds.

The basic fund financial statements can be found on pages 12 through 22 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 through 53 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by approximately \$28.4 million as of June 30, 2025.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt,

it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Position for the period ending June 30, 2025 and 2024

		(As restated)
	2025	2024
Current Assets	\$ 22,774,680	\$ 27,635,066
Noncurrent Assets	48,776,985	44,726,490
Total Assets	<u>71,551,665</u>	<u>72,361,556</u>
Deferred Outflows	2,828,546	3,372,663
Current Liabilities	10,787,825	10,933,641
Noncurrent Liabilities	30,620,059	33,366,032
Total Liabilities	<u>41,407,884</u>	<u>44,299,673</u>
Deferred Inflows	4,582,529	5,374,235
Net Position -		
Net investment in capital assets	25,534,588	19,715,919
Restricted	6,164,518	10,454,652
Unrestricted	(3,309,308)	(4,110,260)
Total Net Position	<u>\$ 28,389,798</u>	<u>\$ 26,060,311</u>

Comments on Budget Comparisons

- The District's total governmental funds revenues for the fiscal year ended June 30, 2025 were \$27,772,809, compared with \$35,617,919 in 2024. This decrease is primarily a result of a decrease in federal and state grant funds in the current year.
- After adjustments for contingency, the General fund budget compared to actual expenditures varied modestly from line item to line item with the ending actual balance being \$3.71 million less than budget or approximately 20%.
- The total cost of all programs and services for governmental funds was \$32,594,331, compared with \$36,549,586 in 2024. The decrease is primarily a result of a decrease in spending on construction projects.

The following table presents a summary of all governmental activities and business-type activities revenues and expenses for the fiscal year ended June 30, 2025, with comparison to 2024.

	2025	2024
Revenues:		
Local Revenue Sources	\$ 7,027,102	\$ 6,897,242
State and Federal Revenue Sources	24,906,393	33,711,332
Total Revenues	<u>31,933,495</u>	<u>40,608,574</u>
Expenses:		
Instruction	14,666,704	14,790,480
Student Support Services	1,287,915	1,178,448
Instructional Support	1,598,328	1,151,102
District Administration	1,308,106	1,106,693
School Administration	1,380,670	1,409,687

Business and Other Support Services	624,030	588,716
Plant Operations	3,503,793	3,422,015
Student Transportation	1,726,089	1,881,561
Food Service Operations	2,013,656	1,796,259
Child Care Services	125,912	170,721
Community Services	550,566	485,963
Debt service	818,239	875,926
Total Expenses	<u>29,604,008</u>	<u>28,857,571</u>
Revenues Over (Under) Expenses	<u>\$ 2,329,487</u>	<u>\$ 11,751,003</u>

Governmental Funds Revenue

The majority of revenue was derived from state funding making up 64% and federal funding of 14% of total revenue. Local revenues make up 22% of total revenue (17% in 2024).

Capital Assets

At the end of June 30, 2025, the District's investment in capital assets for its governmental and business-type activities was \$48,616,286, representing an increase of \$4,069,485 net of depreciation, from the prior year. No major projects were completed during the year, but renovation projects at Bath County High School were ongoing during the year. Renovations at Bath County Middle School are expected to begin in fiscal year 2026. A breakdown of the District's capital assets is presented in Note (6) of the financial statements.

Debt Service

At year-end, the District had approximately \$23.2 million in outstanding debt, compared to \$25.0 million last year. The District continues to maintain favorable debt ratings from Moody's and Standard & Poor's.

Future Budgetary Implications

In Kentucky the public school fiscal year is July 1 - June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the District overall budget. By law the budget must have a minimum 2% contingency. The District adopted a budget with approximately \$902,000 in contingency (3.71%). The general fund cash balance for beginning the next fiscal year is \$7,162,241.

Results of the current fiscal year and recent historical trends for the District were taken into account when preparing the subsequent year budget. No significant changes in revenue or expense items are foreseeable. The District's tax rates and tax base remain effectively the same. The District has assessed and considered underlying economical and funding factors at the federal, state, and local levels and other non-financial areas including demographics, local economy and risk of loss of student population that may have a significant impact on the financial statements when preparing subsequent year budgets.

Questions regarding this report should be directed to the Superintendent or to the Finance Officer at (606) 674-6314.

BATH COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2025

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 18,326,685	\$ 3,205,935	\$ 21,532,620
Receivables (net of allowances for uncollectibles):			
Taxes	750,924	-	750,924
Other	13,211	1,085	14,296
Intergovernmental	432,635	32,695	465,330
Inventories	-	11,510	11,510
Capital assets, not being depreciated	18,175,104	-	18,175,104
Capital assets, being depreciated, net	30,084,007	357,175	30,441,182
Net OPEB Asset	131,012	29,687	160,699
Total assets	<u>67,913,578</u>	<u>3,638,087</u>	<u>71,551,665</u>
Deferred Outflows of Resources			
Deferred savings from refunding bonds	96,306	-	96,306
Deferred outflows - OPEB related	1,815,136	26,708	1,841,844
Deferred outflows - pension related	733,167	157,229	890,396
Total deferred outflows of resources	<u>2,644,609</u>	<u>183,937</u>	<u>2,828,546</u>
Liabilities			
Accounts payable	100,809	4,017	104,826
Unearned revenue	7,463,216	-	7,463,216
Accrued salaries and benefits	1,150,406	-	1,150,406
Portion due or payable within one year:			
Debt obligations	1,803,282	-	1,803,282
Interest payable	220,138	-	220,138
Accrued sick leave	45,957	-	45,957
Portion due or payable after one year:			
Net OPEB liability	2,592,000	-	2,592,000
Net pension liability	4,727,481	822,890	5,550,371
Debt obligations	21,374,722	-	21,374,722
Accrued sick leave	1,102,966	-	1,102,966
Total liabilities	<u>40,580,977</u>	<u>826,907</u>	<u>41,407,884</u>
Deferred Inflows of Resources			
Deferred inflows - OPEB related	3,310,202	301,435	3,611,637
Deferred inflows - pension related	746,941	223,951	970,892
Total deferred inflows of resources	<u>4,057,143</u>	<u>525,386</u>	<u>4,582,529</u>
Net Position			
Net investment in capital assets	25,177,413	357,175	25,534,588
Restricted for:			
Capital projects	3,630,449	-	3,630,449
Other purposes	270,522	2,263,547	2,534,069
Unrestricted	(3,158,317)	(150,991)	(3,309,308)
Total net position	<u>\$ 25,920,067</u>	<u>\$ 2,469,731</u>	<u>\$ 28,389,798</u>

The accompanying notes to financial statements are an integral part of this statement.

**BATH COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
Instruction	\$ 14,666,704	\$ -	\$ 1,868,369	\$ -	\$ (12,798,335)	\$ -	\$ (12,798,335)
Support services:							
Students	1,287,915	183,272	286,236	-	(818,407)	-	(818,407)
Instructional staff	1,598,328	-	927,548	-	(670,780)	-	(670,780)
District administration	1,308,106	-	-	-	(1,308,106)	-	(1,308,106)
School administration	1,380,670	-	-	-	(1,380,670)	-	(1,380,670)
Business and other support services	624,030	-	-	-	(624,030)	-	(624,030)
Operation and maintenance of plant	3,503,793	-	104,858	-	(3,398,935)	-	(3,398,935)
Student transportation	1,726,089	-	2,064	-	(1,724,025)	-	(1,724,025)
Community services	550,566	-	519,986	-	(30,580)	-	(30,580)
Debt service-interest expense	818,239	-	-	2,251,974	1,433,735	-	1,433,735
Total governmental activities	27,464,440	183,272	3,709,061	2,251,974	(21,320,133)	-	(21,320,133)
Business-type activities:							
Food service	2,013,656	50,990	2,133,477	-	-	170,811	170,811
Child care and preschool	125,912	46,288	10,037	-	-	(69,587)	(69,587)
Total business-type activities	2,139,568	97,278	2,143,514	-	-	101,224	101,224
Total primary government	\$ 29,604,008	\$ 280,550	\$ 5,852,575	\$ 2,251,974	\$ (21,320,133)	\$ 101,224	\$ (21,218,909)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					\$ 3,764,627	\$ -	\$ 3,764,627
Motor vehicle					531,577	-	531,577
Utilities					721,452	-	721,452
Intergovernmental revenues:							
State					16,618,572	-	16,618,572
Interest and investment earnings					1,264,458	150,591	1,415,049
Other local revenues					492,119	5,000	497,119
Total general revenues					23,392,805	155,591	23,548,396
Transfers					102,009	(102,009)	-
Change in net position					2,174,681	154,806	2,329,487
Net position, June 30, 2024 (as restated)					23,745,386	2,314,925	26,060,311
Net position, June 30, 2025					\$ 25,920,067	\$ 2,469,731	\$ 28,389,798

The accompanying notes to financial statements are an integral part of this statement.

**BATH COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025**

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 7,162,241	\$ -	\$ 10,231,435	\$ 933,009	\$ 18,326,685
Receivables (net of allowances for uncollectibles):					
Taxes	750,924	-	-	-	750,924
Other	13,211	-	-	-	13,211
Intergovernmental - state	-	432,635	-	-	432,635
Interfund receivable	90,635	-	-	-	90,635
Total assets	<u>\$ 8,017,011</u>	<u>\$ 432,635</u>	<u>\$ 10,231,435</u>	<u>\$ 933,009</u>	<u>\$ 19,614,090</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 64,432	\$ 25,284	\$ 9,749	\$ 1,344	\$ 100,809
Accrued salaries and benefits	1,150,406	-	-	-	1,150,406
Interfund payable	-	90,635	-	-	90,635
Unearned revenue	-	316,716	7,146,500	-	7,463,216
Total liabilities	<u>1,214,838</u>	<u>432,635</u>	<u>7,156,249</u>	<u>1,344</u>	<u>8,805,066</u>
Fund balances:					
Restricted	-	-	3,075,186	825,785	3,900,971
Committed	71,796	-	-	105,880	177,676
Unassigned	6,730,377	-	-	-	6,730,377
Total fund balances	<u>6,802,173</u>	<u>-</u>	<u>3,075,186</u>	<u>931,665</u>	<u>10,809,024</u>
Total liabilities and fund balances	<u>\$ 8,017,011</u>	<u>\$ 432,635</u>	<u>\$ 10,231,435</u>	<u>\$ 933,009</u>	<u>\$ 19,614,090</u>

The accompanying notes to financial statements are an integral part of this statement.

BATH COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2025

Fund balances—total governmental funds				\$ 10,809,024
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			48,259,111	
Savings from refunding bonds are not available to pay current period expenditures and, therefore, are not reported in the funds.			96,306	
Deferred outflows and inflows of resources related to pensions and OPEB plans are applicable to future periods and, therefore, are not reported in the funds.			(1,508,840)	
Certain other liabilities are not due and payable in the current period and, therefore, are not reported in the funds as follows:				
Accrued interest payable		(220,138)		
Net OPEB liability and asset		(2,460,988)		
Net pension liability		<u>(4,727,481)</u>	(7,408,607)	
Some liabilities, including bonds payable and accrued sick leave, are not due and payable in the current period and, therefore, are not reported in the funds.			<u>(24,326,927)</u>	
Net position of governmental activities				<u>\$ 25,920,067</u>

The accompanying notes to financial statements are an integral part of this statement.

BATH COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Taxes -					
Property	\$ 3,042,551	\$ -	\$ -	\$ 722,076	\$ 3,764,627
Motor vehicles	531,577	-	-	-	531,577
Utilities	721,452	-	-	-	721,452
Interest and investment income	428,428	250,376	585,654	-	1,264,458
Other local revenues	16,792	100,167	-	375,160	492,119
Intergovernmental - State	14,854,269	1,339,658	-	2,251,974	18,445,901
Intergovernmental - Indirect federal	-	2,369,403	-	-	2,369,403
Intergovernmental - Direct federal	183,272	-	-	-	183,272
Total revenues	<u>19,778,341</u>	<u>4,059,604</u>	<u>585,654</u>	<u>3,349,210</u>	<u>27,772,809</u>
Expenditures:					
Current:					
Instruction	11,075,916	2,253,204	-	360,662	13,689,782
Support services:					
Students	1,023,053	286,236	-	195	1,309,484
Instructional staff	597,884	927,548	-	20,479	1,545,911
District administration	1,348,055	-	-	-	1,348,055
School administration	1,289,027	-	-	-	1,289,027
Business and other support services	622,746	-	-	-	622,746
Operation and maintenance of plant	2,324,497	104,858	-	-	2,429,355
Student transportation	1,905,750	2,064	-	-	1,907,814
Community services	38,450	519,986	-	-	558,436
Facilities acquisition and construction	-	-	5,315,341	-	5,315,341
Debt service	171,930	-	-	2,406,450	2,578,380
Total expenditures	<u>20,397,308</u>	<u>4,093,896</u>	<u>5,315,341</u>	<u>2,787,786</u>	<u>32,594,331</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(618,967)</u>	<u>(34,292)</u>	<u>(4,729,687)</u>	<u>561,424</u>	<u>(4,821,522)</u>
Other financing sources (uses):					
Transfers in	588,084	34,292	-	1,644,301	2,266,677
Transfers out	<u>(34,292)</u>	<u>-</u>	<u>-</u>	<u>(2,130,376)</u>	<u>(2,164,668)</u>
Total other financing sources and uses	<u>553,792</u>	<u>34,292</u>	<u>-</u>	<u>(486,075)</u>	<u>102,009</u>
Net change in fund balances	(65,175)	-	(4,729,687)	75,349	(4,719,513)
Fund balances, June 30, 2024	<u>6,867,348</u>	<u>-</u>	<u>7,804,873</u>	<u>856,316</u>	<u>15,528,537</u>
Fund balances, June 30, 2025	<u>\$ 6,802,173</u>	<u>\$ -</u>	<u>\$ 3,075,186</u>	<u>\$ 931,665</u>	<u>\$ 10,809,024</u>

The accompanying notes to financial statements are an integral part of this statement.

**BATH COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025**

Net change in fund balances—total governmental funds \$ (4,719,513)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	5,752,412	
Depreciation expense	<u>(1,653,646)</u>	4,098,766
 Amortization expense - right to use leased assets	 <u>(43,507)</u>	 (43,507)

Generally, expenditures recognized in the fund financial statements are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred for the following:

Accrued sick leave		(199,782)
Interest payable		11,729
Capitalized savings from bond refundings amortization expense		(32,102)
Amortization of bond discounts		(13,229)

Governmental funds report pension contributions as expenditures when paid. However, in the Statement of Activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions, and investment experience.

KTRS nonemployer support revenue	1,764,303	
KTRS pension expense	(1,345,919)	
CERS contributions	385,515	
CERS pension and OPEB expense	<u>430,398</u>	1,234,297

The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal and interest consumes current financial resources of governmental funds.

Lease payments	44,279	
Debt payments	<u>1,793,743</u>	<u>1,838,022</u>

Change in net position of governmental activities		<u><u>\$ 2,174,681</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

BATH COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2025

	Food Service Fund	Child Care Fund	Preschool Fund	Total Proprietary Funds
Assets				
Current assets:				
Cash and cash equivalents	\$ 3,191,779	\$ 10,265	\$ 3,891	\$ 3,205,935
Receivables (net of allowances for uncollectibles)				
Intergovernmental - federal	32,695	-	-	32,695
Other	-	1,085	-	1,085
Inventories	11,510	-	-	11,510
Total current assets	<u>3,235,984</u>	<u>11,350</u>	<u>3,891</u>	<u>3,251,225</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation	357,175	-	-	357,175
Net OPEB asset	26,745	2,942	-	29,687
Total noncurrent assets	<u>383,920</u>	<u>2,942</u>	<u>-</u>	<u>386,862</u>
Total assets	<u>3,619,904</u>	<u>14,292</u>	<u>3,891</u>	<u>3,638,087</u>
Deferred Outflows of Resources				
Deferred outflows - OPEB related	8,868	17,840	-	26,708
Deferred outflows - pension related	116,410	40,819	-	157,229
Total deferred outflows of resources	<u>125,278</u>	<u>58,659</u>	<u>-</u>	<u>183,937</u>
Total assets and deferred outflows	<u>\$ 3,745,182</u>	<u>\$ 72,951</u>	<u>\$ 3,891</u>	<u>\$ 3,822,024</u>
Liabilities				
Current liabilities:				
Accounts payable	\$ 3,642	\$ 291	\$ 84	\$ 4,017
Total current liabilities	<u>3,642</u>	<u>291</u>	<u>84</u>	<u>4,017</u>
Noncurrent liabilities:				
Net pension liability	743,205	79,685	-	822,890
Total liabilities	<u>746,847</u>	<u>79,976</u>	<u>84</u>	<u>826,907</u>
Deferred Inflows of Resources				
Deferred inflows - OPEB related	219,643	81,792	-	301,435
Deferred inflows - pension related	161,777	62,174	-	223,951
Total deferred inflows of resources	<u>381,420</u>	<u>143,966</u>	<u>-</u>	<u>525,386</u>
Net Position				
Net Investment in capital assets	357,175	-	-	357,175
Restricted	2,259,740	-	3,807	2,263,547
Unrestricted	-	(150,991)	-	(150,991)
Total net position	<u>2,616,915</u>	<u>(150,991)</u>	<u>3,807</u>	<u>2,469,731</u>
Total liabilities, deferred inflows, and net position	<u>\$ 3,745,182</u>	<u>\$ 72,951</u>	<u>\$ 3,891</u>	<u>\$ 3,822,024</u>

The accompanying notes to financial statements are an integral part of this statement.

BATH COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	Food Service Fund	Child Care Fund	Preschool Fund	Total Proprietary Funds
Operating revenues:				
Lunchroom sales	\$ 50,990	\$ -	\$ -	\$ 50,990
Tuition from individuals	-	39,748	6,540	46,288
Revenue from local sources	-	-	-	-
Total operating revenues	<u>50,990</u>	<u>39,748</u>	<u>6,540</u>	<u>97,278</u>
Operating expenses:				
Salaries and wages	588,319	109,516	-	697,835
Employee benefits	128,888	1,450	-	130,338
Materials and supplies	1,230,173	9,215	1,066	1,240,454
Depreciation	34,603	-	-	34,603
Other operating expenses	31,673	2,977	1,688	36,338
Total operating expenses	<u>2,013,656</u>	<u>123,158</u>	<u>2,754</u>	<u>2,139,568</u>
Operating income (loss)	<u>(1,962,666)</u>	<u>(83,410)</u>	<u>3,786</u>	<u>(2,042,290)</u>
Nonoperating revenues (expenses):				
Federal grants	1,877,443	4,821	-	1,882,264
Investment income	150,591	-	-	150,591
Donated commodities	100,392	-	-	100,392
Revenue from state sources (on-behalf)	134,433	-	-	134,433
State grants	21,209	5,216	-	26,425
Gain on sale of equipment	5,000	-	-	5,000
Total nonoperating revenue (expenses), net	<u>2,289,068</u>	<u>10,037</u>	<u>-</u>	<u>2,299,105</u>
Transfers out	<u>(102,009)</u>	<u>-</u>	<u>-</u>	<u>(102,009)</u>
Increase (decrease) in net position	224,393	(73,373)	3,786	154,806
Net position, June 30, 2024	<u>2,392,522</u>	<u>(77,618)</u>	<u>21</u>	<u>2,314,925</u>
Net position, June 30, 2025	<u>\$ 2,616,915</u>	<u>\$ (150,991)</u>	<u>\$ 3,807</u>	<u>\$ 2,469,731</u>

The accompanying notes to financial statements are an integral part of this statement.

**BATH COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025**

	Food Service Fund	Child Care Fund	Preschool Fund	Total Proprietary Funds
Cash flows from operating activities:				
Cash received from:				
Lunchroom sales	\$ 50,990	\$ -	\$ -	\$ 50,990
Tuition	-	40,879	6,540	47,419
Other revenues	-	-	-	-
Cash paid to/for:				
Payments to suppliers and providers of goods and services	(1,116,614)	(8,924)	(1,066)	(1,126,604)
Payments to employees	(746,217)	(127,179)	-	(873,396)
Other payments	(31,673)	(2,977)	(1,688)	(36,338)
Net cash provided by (used for) operating activities	<u>(1,843,514)</u>	<u>(98,201)</u>	<u>3,786</u>	<u>(1,937,929)</u>
Cash flows from noncapital financing activities:				
Government grants	1,910,480	10,037	-	1,920,517
Transfers to other funds	(102,009)	-	-	(102,009)
Net cash provided by noncapital and related financing activities	<u>1,808,471</u>	<u>10,037</u>	<u>-</u>	<u>1,818,508</u>
Cash flows from capital and related financing activities:				
Purchases of capital assets	(5,322)	-	-	(5,322)
Proceeds from sale of equipment	5,000	-	-	5,000
Net cash used for capital and related financing activities	<u>(322)</u>	<u>-</u>	<u>-</u>	<u>(322)</u>
Cash flows from investing activities:				
Interest received on investments	150,591	-	-	150,591
Net cash provided by investing activities	<u>150,591</u>	<u>-</u>	<u>-</u>	<u>150,591</u>
Net increase (decrease) in cash and cash equivalents	115,226	(88,164)	3,786	30,848
Cash and cash equivalents, June 30, 2024	<u>3,076,553</u>	<u>98,429</u>	<u>105</u>	<u>3,175,087</u>
Cash and cash equivalents, June 30, 2025	<u>\$ 3,191,779</u>	<u>\$ 10,265</u>	<u>\$ 3,891</u>	<u>\$ 3,205,935</u>
Reconciliation of operating income (loss) to net cash used for operating activities:				
Operating income (loss)	\$ (1,962,666)	\$ (83,410)	\$ 3,786	\$ (2,042,290)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	34,603	-	-	34,603
Donated commodities	100,392	-	-	100,392
On-behalf revenues	134,433	-	-	134,433
Net pension and OPEB adjustment	(163,443)	(16,213)	-	(179,656)
Change in assets and liabilities:				
Inventory	15,122	-	-	15,122
Accounts receivable	-	1,131	-	1,131
Accounts payable	(1,955)	291	-	(1,664)
Net cash provided by (used for) operating activities	<u>\$ (1,843,514)</u>	<u>\$ (98,201)</u>	<u>\$ 3,786</u>	<u>\$ (1,937,929)</u>
Non-cash items:				
Donated commodities	\$ 100,392	\$ -	\$ -	\$ 100,392
On-behalf payments	134,433	-	-	134,433

The accompanying notes to financial statements are an integral part of this statement.

**BATH COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2025**

	<u>Trust Funds</u>
Assets	
Cash and cash equivalents	\$ 40,560
Accounts receivable	<u>-</u>
Total assets	<u>40,560</u>
Liabilities	
Accounts payable	<u>-</u>
Total liabilities	<u>-</u>
Net position held in trust	<u><u>\$ 40,560</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**BATH COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025**

	Trust Funds
Additions -	
Interest income	\$ -
Other local revenues	2,590
	<u>2,590</u>
Deductions -	
Benefits paid	8,100
	<u>8,100</u>
Change in net position	(5,510)
Net position, June 30, 2024	<u>46,070</u>
Net position, June 30, 2025	<u><u>\$ 40,560</u></u>

The accompanying notes to financial statements are an integral part of this statement.

BATH COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues:				
Taxes -				
Property	\$ 2,218,000	\$ 2,320,000	\$ 3,042,551	\$ 722,551
Motor vehicles	350,000	400,000	531,577	131,577
Utilities	570,000	600,000	721,452	121,452
Interest income	75,000	100,000	428,428	328,428
Other local revenues	5,700	22,700	16,792	(5,908)
Intergovernmental - State	9,301,000	9,511,000	9,739,610	228,610
Intergovernmental - Direct federal	55,000	110,000	183,272	73,272
Total revenues	<u>12,574,700</u>	<u>13,063,700</u>	<u>14,663,682</u>	<u>1,599,982</u>
Expenditures:				
Current:				
Instruction	8,732,661	8,748,388	7,888,961	859,427
Support services:				
Students	814,777	817,637	722,882	94,755
Instructional staff	533,445	523,516	415,776	107,740
District administration	1,721,066	1,700,716	1,185,668	515,048
School administration	1,013,982	1,009,183	896,508	112,675
Business and other support services	484,964	512,464	414,485	97,979
Operation and maintenance of plant	3,136,046	3,284,796	2,009,717	1,275,079
Student transportation	2,073,041	2,196,883	1,567,456	629,427
Community services	52,788	31,536	9,266	22,270
Debt service	171,930	171,930	171,930	-
Contingency	875,000	901,651	-	901,651
Total expenditures	<u>19,609,700</u>	<u>19,898,700</u>	<u>15,282,649</u>	<u>4,616,051</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,035,000)</u>	<u>(6,835,000)</u>	<u>(618,967)</u>	<u>6,216,033</u>
Other financing sources (uses):				
Proceeds from sale of equipment	5,000	5,000	-	(5,000)
Transfers in	80,000	80,000	588,084	508,084
Transfers out	<u>(50,000)</u>	<u>(50,000)</u>	<u>(34,292)</u>	<u>15,708</u>
Total other financing sources and uses	<u>35,000</u>	<u>35,000</u>	<u>553,792</u>	<u>518,792</u>
Net change in fund balances	(7,000,000)	(6,800,000)	(65,175)	6,734,825
Fund balances, June 30, 2024	<u>7,000,000</u>	<u>6,800,000</u>	<u>6,867,348</u>	<u>67,348</u>
Fund balances, June 30, 2025	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,802,173</u>	<u>\$ 6,802,173</u>
Adjustments to Generally Accepted Accounting Principles -				
Intergovernmental State Revenue			\$ 5,114,659	
On-behalf payments:				
Instruction			(3,186,955)	
Support services:				
Student support			(300,171)	
Instructional staff support			(182,108)	
District administration			(162,387)	
School administration			(392,519)	
Business and other support services			(208,261)	
Operation and maintenance of plant			(314,780)	
Student transportation			(338,294)	
Community services			(29,184)	
Fund balance, June 30, 2025 (GAAP basis)			<u>\$ 6,802,173</u>	

The accompanying notes to financial statements are an integral part of this statement.

BATH COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues:				
Interest income	\$ 204,000	\$ 204,000	\$ 250,376	\$ 46,376
Other local revenues	59,695	59,695	100,167	40,472
Intergovernmental - State	1,474,250	1,927,598	1,339,658	(587,940)
Intergovernmental - Indirect federal	6,855,571	7,465,945	2,369,403	(5,096,542)
Total revenues	8,593,516	9,657,238	4,059,604	(5,597,634)
Expenditures:				
Current:				
Instruction	6,482,742	6,741,774	2,253,204	4,488,570
Support services:				
Students	399,771	359,020	286,236	72,784
Instructional staff	836,987	960,178	927,548	32,630
Operation and maintenance of plant	90,196	150,196	104,858	45,338
Student transportation	1,200	1,200	2,064	(864)
Food service operation	22,400	22,400	-	22,400
Day care operations	500,000	500,000	-	500,000
Community services	310,220	972,470	519,986	452,484
Total expenditures	8,643,516	9,707,238	4,093,896	5,613,342
Excess (deficiency) of revenues over (under) expenditures	(50,000)	(50,000)	(34,292)	15,708
Other financing sources (uses):				
Transfers in	50,000	50,000	34,292	(15,708)
Transfers out	-	-	-	-
Total other financing sources and uses	50,000	50,000	34,292	(15,708)
Net change in fund balances	-	-	-	-
Fund balances, June 30, 2024	-	-	-	-
Fund balances, June 30, 2025	-	\$ -	\$ -	\$ -

The accompanying notes to financial statements are an integral part of this statement.

**BATH COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

(1) REPORTING ENTITY

The Bath County Board of Education (the “Board”), a five-member group, is the level of government which has oversight responsibilities over all activities related to public, elementary, and secondary school education within the jurisdiction of Bath County School District (the “District”). The District receives funding from local, state and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial reporting purposes, includes all of the funds and account groups relevant to the operation of the Bath County School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements. Copies of this organization’s financial statements may be obtained from the Superintendent or the District’s Finance Officer at 405 West Main Street, Owingsville, Kentucky 40360.

Bath County Board of Education Finance Corporation - On November 29, 1988, the Bath County, Kentucky, Board of Education resolved to authorize the establishment of the Bath County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Bath County Board of Education also comprise the Corporation’s Board of Directors.

The financial statements of the following entity are not included in the accompanying financial statements.

C.C. Chenault Memorial Trust

The Trust was created to establish agricultural programs for the District. The District receives a quarterly payment from the trust for its agricultural programs. The District had a carryover balance to FY 2025 of \$13,268 and received \$257,769 in quarterly payments in the current year and spent \$256,133 and had a carryover balance of \$14,904 to FY 2026 and included in unearned revenues. This activity is recorded in the Special Revenue Fund. The Trust maintains separate accounting records and is not governed or managed by the District.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS

Basis of Presentation

The accounting policies of the Bath County School District substantially comply with the rules prescribed by the Kentucky Department of Education for local school districts.

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide statements provide information about the primary government (the District). The statements include a statement of net position and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses to programs or functions, except where allowable for certain grant programs. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining funds are aggregated and reported as non-major funds. Fiduciary funds are aggregated and reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total position. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes.
 - 1. The Special Revenue Fund includes federal financial programs where unused balances are returned to the grantor, at the close of specified project periods, as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.
 - 2. The District Activity Fund is a special revenue fund used to account for funds collected at individual schools for operation costs of the school or school district that allows for more flexibility in the expenditure of those funds.
 - 3. The School Activity Fund is a special revenue fund used to account for funds collected at individual schools for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the *Uniform Program of Accounting for School Activity Funds*.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the State as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
 - 2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
 - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- (D) Debt Service Funds
The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund Types (Enterprise Fund)

- (A) The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S.

Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund of the District.

- (B) The Child Care Fund and Preschool Fund are used to account for day care type activities. These are considered major funds of the District due to the nature of the activity.

III. Fiduciary Fund Type (Private Purpose Trust Fund)

- (A) The Trust Fund is a scholarship fund. The principal and interest earned may be used for scholarships to Bath County High School students.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues are recorded from exchange and non-exchange transactions. Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Unearned Revenue - Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Property Taxes

Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2025, to finance the General Fund operations were \$.607 per \$100 valuation for real property, \$.607 per \$100 valuation for business personal property and \$.464 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telegraphic communications services, cablevision services, electric power, water, and gas.

In-Kind

Local contributions, which include contributed services provided by individuals, private organizations and local governments, are used to match federal and state administered funding on various grants. The District also receives commodities from USDA. The amounts of such services and commodities are recorded in the accompanying financial statements at their estimated fair market values.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars (\$5,000) with the exception of real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Other	10 years

Right-to-Use Assets

The District records right to use lease assets in accordance with GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental and business-type activities columns of the statements of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Accumulated Unpaid Sick Leave Benefits

Under the District’s policy, upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. In addition, based on historical usage patterns, employees are more likely than not to use an additional 5% of accumulated sick leave for illness prior to retirement. This results in a total utilization rate of 35% for recognition under GASB Statement No. 101, *Compensated Absences*.

In accordance with GASB Statement No. 101, *Compensated Absences*, sick leave benefits are accrued as a liability when earned, accumulate from year to year, and are more likely than not to be used or paid. The liability includes:

- The portion of accumulated sick leave expected to result in termination payments at retirement (30%).
- The portion expected to be used prior to termination (5%).

The liability is measured using the employee’s current pay rate at the financial statement date and includes applicable salary-related payments:

- Certified employees: Employer share of Medicare tax (1.45%) only, as these employees are not subject to Social Security.
- Classified employees: Employer share of both Social Security (6.2%) and Medicare (1.45%).

The entire compensated absences liability is reported in the government-wide financial statements. For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “accumulated sick leave payable” in the general fund. The noncurrent portion of the liability is not reported in the fund financial statements, but is reflected in the statement of net position.

The District has the option of funding up to 50% of the total amount accrued as a reservation of the General Fund balance. At June 30, 2025, the District had committed \$71,796 for sick leave payout.

Budgetary Process

Budgetary Basis of Accounting: The District’s budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major difference between the budgetary basis and the GAAP basis is that on-behalf payments made by the state for the District are not budgeted. See Note (14) for these amounts which were not known by the District at the time the budget was adopted.

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy, only amendments that aggregate greater than \$50,000 require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with and original

maturity of 90 days or less, to be cash equivalents.

Inventories

Supplies and materials are charged to expenditures when purchased, with the exception of the proprietary funds, which records inventory using the accrual basis of accounting. Inventories are stated at the lower of cost or market, on the first-in, first-out basis.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, all payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds, leases and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance Reserves

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-spendable fund balance-amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance-amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance-amounts constrained to specific purposes by the District itself, using its decision-making authority (the “Board”); to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint;
- Assigned fund balance-amounts the District intends to use for a specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority;
- Unassigned fund balance-amounts that are available for any purpose; unassigned amounts are reported only in the General Fund.

When restricted, committed, assigned and unassigned resources are available for use, it is the District’s policy to use restricted, committed and assigned resources first, then unassigned resources as they are needed.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Bond Issuance Costs

Debt issuance costs are expensed in the period they are incurred.

Deferred Inflows and Outflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the OPEB plan's fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Recent Accounting Pronouncements

In June 2022, the GASB issued Statement No. 101, *Compensated Absences* ("GASB 101"), which supersedes the guidance in Statement No. 16, *Accounting for Compensated Absences*, issued in 1992. GASB 101 aligns recognition and measurement guidance for all types of compensated absences under a unified model. It also requires that a liability for specific types of compensated absences not be recognized until the leave is used. Additionally, it establishes guidance for measuring a liability for leave

that has not been used, generally using an employee's pay rate as of the date of the financial statements. The District adopted GASB 101 in the current fiscal year. As a result of this adoption, beginning net position was decreased by \$762,911 to recognize additional compensated absences liabilities in accordance with the new standard.

In January 2024, the GASB issued Statement No. 102, *Certain Risk Disclosures* ("GASB 102"), which aims to enhance the transparency of financial reporting by requiring disclosures about risks that state and local governments face due to certain concentrations or constraints. A concentration is defined as a lack of diversity in significant inflows or outflows of resources, while a constraint is a limitation imposed by an external party or by the government's highest level of decision-making authority. Governments must disclose information about these risks if they are vulnerable to a substantial impact from them. The disclosures should include the nature of the concentration or constraint, any associated events that could cause a substantial impact, and actions taken to mitigate the risk. The requirements of GASB 102 are effective for fiscal years beginning after June 15, 2024. Adoption of this statement did not have a material impact on the financial statements.

In May 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements* ("GASB 103") with the objective to enhance the effectiveness of the financial reporting model for decision-making and assessing government accountability. The improvements target the following established accounting and financial reporting requirements:

- Management's discussion and analysis;
- Unusual or infrequent items (previously known as extraordinary and special items);
- Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
- Major component unit information; and
- Budgetary comparison information.

The effective date for GASB 103 is for fiscal years beginning after June 15, 2025. Management is currently evaluating the impact of this Statement on its financial statements.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*, which enhances financial reporting transparency by requiring separate note disclosures for certain types of capital assets, including a) Lease assets under GASB Statement No. 87, b) Subscription-based information technology arrangements (SBITAs) under GASB Statement No. 96, c) Intangible right-to-use assets under GASB Statement No. 94, d) Other intangible assets not otherwise separately reported, and e) Capital assets held for sale. The provisions of GASB 104 are effective for fiscal years beginning after June 15, 2025. Management is currently evaluating the impact of this Statement on its financial statements.

(3) ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(4) CASH AND CASH EQUIVALENTS

The funds of the District must be deposited and invested under the terms of a contract. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At year-end, the carrying amount of the District's total cash and cash equivalents was \$21,573,180 and the related bank balances totaled \$22,437,658. Of the total cash balance, \$541,702 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Due to the nature of the accounts and certain limitations imposed on the use of funds, each bank account within the following funds is considered to be restricted: SEEK Capital Outlay Fund, Facility Support Program (FSPK) Fund, Education Building Fund, Special Revenue (Grant) Funds, Bond and Interest Redemption Fund, School Food Service Funds, and School Activity Funds.

Breakdown per financial statements:

Governmental funds	\$ 18,326,685
Proprietary funds	3,205,935
Trust funds	40,560
	<u>\$ 21,573,180</u>

(5) LONG-TERM DEBT

Bonds and KISTA Loans

The original amount of each issue, the issue date and interest rates are summarized as follows:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
2013R	\$ 4,350,000	1.00% - 2.25%
2013	1,495,000	1.30% - 4.10%
2013QZAB	3,000,000	0.00%
2014E	1,955,000	1.10% - 3.40%
2015K	212,062	1.00% - 2.625%
2016K	217,171	2.00% - 2.625%
2016R	6,445,000	1.05% - 2.00%
2017K	119,529	2.55%
2018	11,320,000	3.00% - 3.375%
2020K	105,517	2.00%
2021K	114,776	1.25% - 1.50%
2023	5,445,000	4.00% - 4.125%
2023 (second series)	2,660,000	4.00% - 4.125%

The District through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Bath County School District and the School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

In 2013, 2016, 2018 and 2023, the District entered into "participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2025, for debt service (principal and interest) are as follows:

Year	Kentucky School Facilities Construction Commission		Bath County School District		Total
	Interest	Principal	Interest	Principal	
2026	\$ 120,888	\$ 627,949	\$ 622,110	\$ 1,122,051	\$ 2,492,998
2027	108,386	608,624	600,978	1,141,376	2,459,364
2028	93,885	620,972	576,371	1,174,028	2,465,256
2029	80,114	116,534	549,103	1,033,466	1,779,217
2030	59,511	137,139	540,700	1,042,861	1,780,211
2031-2035	212,472	666,343	2,169,954	5,808,657	8,857,426
2036-2040	97,082	345,037	1,206,731	5,249,963	6,898,813
2041-2044	13,301	159,984	295,927	3,390,016	3,859,228
	<u>\$ 785,639</u>	<u>\$ 3,282,582</u>	<u>\$ 6,561,874</u>	<u>\$ 19,962,418</u>	<u>\$ 30,592,513</u>

Future minimum debt service on notes payable to KISTA, at June 30, 2025, are as follows:

Year	Principal	Interest	Total
2026	\$ 53,282	\$ 3,015	\$ 56,297
2027	33,903	1,848	35,751
2028	22,983	1,196	24,179
2029	21,367	825	22,192
2030	19,363	487	19,850
2031	9,971	150	10,121
	<u>\$ 160,869</u>	<u>\$ 7,521</u>	<u>\$ 168,390</u>

Leases

The District has entered into agreements to lease certain equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

1. A lease agreement was executed on July 1, 2021, to lease copiers and requires 48 monthly payments of \$3,715 per month. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 1.25%, which was the District's incremental borrowing rate at lease inception. As of June 30, 2025, the lease period has expired.

A summary of activity in bond obligations and other debts is as follows:

Description	Balance at June 30, 2024	Additions	Payments	Balance at June 30, 2025	Due within One Year
General obligation bonds - \$36,670,000 originally issued with interest rates ranging from 0.0%-4.125%	\$ 24,965,000	\$ -	\$ 1,720,000	\$ 23,245,000	\$1,750,000
Discount on bonds	(241,094)	-	(13,229)	(227,865)	-
KISTA loans with interest rates ranging from 1.0% to 3.375%	234,612	-	73,743	160,869	53,282
Lease payable	44,279	-	44,279	-	-
Accrued sick leave	949,141	199,782	-	1,148,923	45,957
	<u>\$ 25,951,938</u>	<u>\$ 199,782</u>	<u>\$ 1,824,793</u>	<u>\$ 24,326,927</u>	<u>\$1,849,239</u>

Net Pension Liability

The net pension liability is \$4,727,481 and \$822,890 for governmental activities and business-type activities, respectively, at June 30, 2025. See Note (8) for more detailed information.

Net OPEB Asset

The net OPEB asset is \$131,012 and \$29,687 for governmental activities and business-type activities, respectively, at June 30, 2025. See Note (9) for more detailed information.

Net OPEB Liability

The net OPEB liability is \$2,592,000 and \$-0- for governmental activities and business-type activities, respectively, at June 30, 2025. See Note (9) for more detailed information.

(6) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2025, was as follows:

	Balance June 30, 2024	Additions	Deductions	Balance June 30, 2025
Governmental Activities				
Non-depreciable:				
Land	\$ 518,317	\$ -	\$ -	\$ 518,317
Construction in progress	12,341,445	5,315,342	-	17,656,787
Depreciable:				
Land improvements	1,131,210	-	-	1,131,210
Buildings and improvements	46,114,645	30,057	-	46,144,702
Technology equipment	1,053,117	72,767	(2,824)	1,123,060
General equipment	1,449,491	20,100	-	1,469,591
Vehicles	5,006,322	314,146	-	5,320,468
Totals	67,614,547	5,752,412	(2,824)	73,364,135
Less: accumulated depreciation				
Land improvements	1,008,540	11,127	-	1,019,667
Buildings and improvements	17,019,219	1,290,978	-	18,310,197
Technology equipment	837,989	96,571	(2,824)	931,736
General equipment	823,108	42,085	-	865,193
Vehicles	3,765,346	212,885	-	3,978,231
Total accumulated depreciation	23,454,202	1,653,646	(2,824)	25,105,024
Governmental Activities Capital Assets - Net	\$ 44,160,345	\$ 4,098,766	\$ -	\$ 48,259,111
Business-Type Activities				
Buildings and improvements	\$ 308,000	\$ -	\$ -	\$ 308,000
Food service equipment	692,855	5,322	-	698,177
Technology equipment	5,037	-	-	5,037
Vehicles	95,194	-	-	95,194
Totals	1,101,086	5,322	-	1,106,408
Less: accumulated depreciation				
Building and improvements	99,073	6,160	-	105,233
Food service equipment	574,025	15,983	-	590,008
Technology equipment	3,660	600	-	4,260
Vehicles	37,872	11,860	-	49,732
Total accumulated depreciation	714,630	34,603	-	749,233
Business-Type Activities Capital Assets - Net	\$ 386,456	\$ (29,281)	\$ -	\$ 357,175

Depreciation expense was allocated to governmental functions as follows:

Instruction	\$ 227,071
Student support services	40,956
Instructional staff support services	10,836
District administration	7,699
School administration	6,513
Business support services	1,029
Plant operation & maintenance	1,162,696
Student transportation	196,846
	<u>\$ 1,653,646</u>

(7) RIGHT TO USE LEASED ASSETS

The District has recorded right to use leased assets for equipment. The related leases are discussed in the Leases subsection of the Long-Term Debt note (5). The right to use leased assets are amortized on a straight-line basis over the terms of the related leases.

Right to use leased asset activity for the fiscal year ended June 30, 2025, was as follows:

	June 30, 2024	Additions	Deductions	June 30, 2025
Intangible right to use assets	\$ 174,028	\$ -	\$ 174,028	\$ -
Totals at historical cost	174,028	-	174,028	-
Less: accumulated amortization	(130,521)	(43,507)	(174,028)	-
Right to Use Leased Assets - Net	<u>\$ 43,507</u>	<u>\$ (43,507)</u>	<u>\$ -</u>	<u>\$ -</u>

(8) RETIREMENT PLANS

Kentucky Teachers Retirement System

Plan description: Teaching-certified employees of the Kentucky School District are provided pensions through the Teachers' Retirement System of the State of Kentucky (KTRS), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS issues a publicly available financial report that can be obtained at http://www.ktrs.ky.gov/05_publications/index.htm.

Benefits provided: For members who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

- 1.) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2.) Complete 27 years of Kentucky service.

Non-university members receive monthly payments equal to 2% (service prior to July 1, 1983) and 2.5% (service after July 1, 1983) of their final average salaries for each year of credited service. Non-university members who became members on or after July 1, 2002, will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than 10 years. New members after July 1, 2002, who retire with 10 or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first 10 years. In addition, non-university members who retire July 1, 2004, and later with more than 30 years of service will have a multiplier for all years over 30 of 3%.

The final average salary is the member's five highest annual salaries except members at least age 55 with 27 or more years of service may use their three highest annual salaries. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service.

For Members On or After July 1, 2008, and Before Jan. 1, 2022: Members become vested when they complete five years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

- 1.) Attain age 60 and complete five years of Kentucky service, or
- 2.) Complete 27 years of Kentucky service, or
- 3.) Attain age 55 and complete 10 years of Kentucky service.

The annual retirement allowance for non-university members is equal to: (a) 1.7% of final average salary for each year of credited service if their service is 10 years or less; (b) 2% of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) 2.3% of final average salary for each year of credited service if their service is greater than 20 years but no more than 26 years; (d) 2.5% of final average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; (e) 3% of final average salary for years of credited service greater than 30 years.

The final average salary is the member's five highest annual salaries except members at least age 55 with 27 or more years of service may use their three highest annual salaries. For all members, the annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

For Members On or After Jan. 1, 2022: To qualify for monthly retirement benefits, payable for life, members must either:

- 1.) Attain age 57 and complete 10 years of Kentucky service, or
- 2.) Attain age 65 and complete five years of Kentucky service.

Foundational Benefit - The annual foundational benefit for members is equal to service times a multiplier times final average salary. The final average salary is the member's five highest annual salaries. The annual foundational benefit is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 30 years of service.

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions: Contribution rates are established by Kentucky Revised Statutes (KRS). For members who began participating before Jan. 1, 2022, non-university members are required to contribute 12.855% of their salaries to the system; university members are required to contribute 10.4% of their salaries. KRS 161.565 allows each university to reduce the contribution of its members by 2.215%; therefore, university members contribute 8.185% of their salary to TRS. For members employed by local school districts, the state (as a non-employer contributing entity) contributes 13.105% of salary for those who joined before July 1, 2008, and 14.105% for those who joined on or after July 1, 2008, and before Jan. 1, 2022. Other participating employers are required to contribute the percentage contributed by members plus an additional 3.25% of members' gross salaries.

For members who began participating on or after Jan. 1, 2022, non-university members contribute 14.75% and university members contribute 9.775% of their salaries to the system. Employers of non-university members, including the state (as a non-employer contributing entity), contribute 10.75% of salary. University employers contribute 9.775% of member's salary to the system.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to KTRS

At June 30, 2025, the District did not report a liability for its proportionate share of the net pension liability because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ -
Commonwealth's proportionate share of the Net pension liability associated with the District	<u>37,283,738</u>
	<u>\$ 37,283,738</u>

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2023. An expected total pension liability as of June 30, 2024 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the Commonwealth as determined by the actuary. At June 30, 2024, the District's proportion was 0.2268%.

For the year ended June 30, 2025, the District recognized pension expense of \$4,559,174 and revenue of \$4,559,174 for support provided by the State.

Actuarial Methods and Assumptions: The total pension liability was determined by applying procedures to the actuarial valuation as of June 30, 2023. The financial reporting actuarial valuation as of June 30, 2024, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry Age Normal
Single Equivalent Interest Rate	7.10%
Municipal Bond Index Rate	3.94%
Inflation	2.5%
Salary Increase	3.0-7.5%, including inflation
Investment Rate of Return	7.1%, net of pension plan investment expense, including inflation
Post-retirement Benefit Increases	1.50% annually

Changes of Assumptions: In the 2020 experience study, rates of withdrawal, retirement, disability, mortality, and salary increase were adjusted to more closely reflect actual experience. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, set-backs, and adjustments for each of the groups: service retirees, contingent annuitants, disabled retirees, and actives. The assumed long-term investment rate of return was changed from 7.5% to 7.1% and the price inflation assumption was lowered from 3% to 2.5%.

Mortality rates were based on the Pub-2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees and active members.

The actuarial assumptions used were based on the results of an actuarial experience study for the 5-year period ending June 30, 2020, adopted by the board on September 20, 2021. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by KTRS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap U.S. Equity	35.4%	5.0%
Small Cap U.S. Equity	2.6%	5.5%
Developed International Equity	15.7%	5.5%
Emerging Markets Equity	5.3%	6.1%
Fixed Income	15.0%	1.9%
High Yield Bonds	2.0%	3.8%
Other Additional Categories	8.0%	3.6%
Real Estate	7.0%	3.2%
Private Equity	7.0%	8.0%
Cash	2.0%	1.6%
Total	<u>100.0%</u>	

Discount Rate: The discount rate used to measure the total pension liability as of the measurement date was 7.1%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made in full at the current contribution rates and the employer contributions will be made at actuarially determined contribution (ADC) rates for all future fiscal years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the net pension liability of the Commonwealth associated with the District, calculated using the discount rate of 7.10%, as well as what the Commonwealth's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

	<u>1% Decrease (6.10%)</u>	<u>Current discount rate (7.10%)</u>	<u>1% Increase (8.10%)</u>
Commonwealth's proportionate share of the Net Pension liability associated with the District	\$ 50,663,000	\$ 37,283,738	\$ 29,064,000

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued KTRS financial report which is publicly available at <http://www.ktrs.ky.gov/>.

County Employees Retirement System

Plan description: Substantially all full-time classified employees of the District participate in the County Employees Retirement System ("CERS"). CERS is a cost-sharing, multiple-employer, defined benefit pension plan administered by the Kentucky General Assembly. The plan covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the plan. The plan provides for retirement, disability and death benefits to plan members.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at <https://kyret.ky.gov>.

Benefits provided: Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the plan documents.

Contributions: Funding for CERS is provided by members, who contribute 5.00% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions, and by employers of members. For the year ending June 30, 2025, employers were required to contribute 19.71% (19.71% pension, 0.00% insurance) of the member's salary. During the year ending June 30, 2025, the District contributed \$621,748 to the CERS pension plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CERS

At June 30, 2025, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2023. An expected total pension liability as of June 30, 2024 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2024. At June 30, 2024, the District's proportion was 0.0928%.

For the year ended June 30, 2025, the District recognized pension expense of approximately \$92,000. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 268,648	\$ -
Changes of assumptions	-	250,768
Net difference between projected and actual earnings on investments	-	356,859
Changes in proportion and differences between District contributions and proportionate share of contributions	-	363,265
District contributions subsequent to the measurement date	621,748	-
	<u>\$ 890,396</u>	<u>\$ 970,892</u>

The \$621,748 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over the average service life of all members. These will be recognized in pension expense as follows:

<u>Year</u>	
2026	\$ (486,279)
2027	746
2028	(137,181)
2029	(79,530)
	<u>\$ (702,244)</u>

Actuarial Methods and Assumptions: The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2023. The financial reporting actuarial valuation as of June 30, 2024, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry Age Normal
Payroll growth	2.00%
Inflation	2.50%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.50%, net of pension plan investment expense, including inflation

The mortality table used for active members was a Pub-2010 General Mortality table, for the Nonhazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity		
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Fixed Income		
Core Fixed Income	10.00%	2.85%

Specialty Credit	10.00%	3.82%
Cash	0.00%	1.70%
Inflation Protected		
Real Estate	7.00%	4.90%
Real Return	<u>13.00%</u>	5.35%
Total	<u><u>100.00%</u></u>	4.69%

Discount Rate: The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.50%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	<u>1% Decrease (5.50%)</u>	<u>Current discount rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
District's proportionate share of the net pension liability	\$ 7,155,336	\$ 5,550,371	\$ 4,218,674

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report which is publicly available at <https://kyret.ky.gov>.

Payables to the pension plan: At June 30, 2025, there was a total payable to CERS of \$87,351, which includes pension and OPEB contributions.

(9) OTHER POSTEMPLOYMENT BENEFIT ("OPEB") PLANS

Kentucky Teachers Retirement System OPEB Plans

Teaching-certified employees of the District are provided OPEBs through the Teachers' Retirement System of the State of Kentucky (TRS)—a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information>.

The state reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the TRS Medical Insurance and Life Insurance Plans. The following information is about the TRS plans:

Medical Insurance Plan

Plan description - In addition to the OPEB benefits described above, Kentucky Revised Statute 161.675 requires TRS to provide post-employment healthcare benefits to eligible members and dependents. The TRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special

funding situation. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

Benefits provided - To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. TRS retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member’s supplement is based on a contribution supplement table approved by the TRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

Contributions – In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three and three quarters percent (3.75%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three percent (3.00%) from the employer. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. During the year ending June 30, 2025, the District contributed \$267,769 to the medical insurance plan.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to KTRS Medical Insurance Plan

At June 30, 2025, the District reported a liability of \$2,592,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2024. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2023. An expected total OPEB liability as of June 30, 2024 was determined using standard roll-forward techniques. The total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2024, the District’s proportion was 0.21987%.

The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District’s proportionate share of the net OPEB liability	\$ 2,592,000
Commonwealth’s proportionate share of the Net OPEB liability associated with the District	<u>2,309,000</u>
	<u>\$ 4,901,000</u>

For the year ended June 30, 2025, the District recognized OPEB expense of (\$150,000) and revenue of \$215,108 for support provided by the State. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 778,000
Changes of assumptions	660,000	-

Net difference between projected and actual earnings on investments	-	83,000
Changes in proportion and differences between District contributions and proportionate share of contributions	660,000	1,063,000
District contributions subsequent to the measurement date	267,769	-
	<u>\$ 1,587,769</u>	<u>\$ 1,924,000</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$267,769 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

<u>Year</u>	
2026	\$ (240,000)
2027	(25,000)
2028	(57,000)
2029	(152,000)
2030	(130,000)
	<u>\$ (604,000)</u>

Actuarial methods and assumptions – The total OPEB liability was determined by applying procedures to the actuarial valuation as of June 30, 2023. The financial reporting actuarial valuation as of June 30, 2024, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.00 - 7.50%, including inflation
Inflation rate	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Healthcare cost trend rates	
All ages	6.50% for FY 2024 decreasing to an ultimate rate of 4.50% by FY 2031
Medicare Part B Premiums	5.92% for FY 2024 with an ultimate rate of 4.50% by 2035
Municipal Bond Index Rate	3.66%
Discount Rate	7.10%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including inflation.

Mortality rates were based on the Pub-2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2021 valuation were based on the results of the most recent actuarial experience studies for the System, which covered the five-year period ending June 30, 2020, adopted by the Board on September 20, 2021.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends) used in the June 30, 2023 valuation of the Health Trust were based on a review of recent plan experience done

concurrently with the June 30, 2023 valuation. The health care cost trend assumption was updated for the June 30, 2023 valuation and was shown as an assumption change in the TOL roll forward, while the change in initial per capita claims costs were included with experience in the TOL roll forward.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap U.S. Equity	35.4%	5.0%
Small Cap U.S. Equity	2.6%	5.5%
Developed International Equity	15.0%	5.5%
Emerging Markets Equity	5.0%	6.1%
Fixed Income	9.0%	1.9%
High Yield Bonds	8.0%	3.8%
Other Additional Categories	9.0%	3.7%
Real Estate	6.5%	3.2%
Private Equity	8.5%	8.0%
Cash	1.0%	1.6%
Total	<u>100.0%</u>	

Discount rate - The discount rate used to measure the TOL as of the Measurement Date was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection's basis was an actuarial valuation performed as of June 30, 2023. In addition to the actuarial methods and assumptions of the June 30, 2023 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the Valuation Date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 2.75%.
- The pre-65 retiree health care costs for members retired on or after July 1, 2010 were assumed to be paid by either the State or the retirees themselves.
- As administrative expenses, other than the administrative fee of \$8.00 PMPM paid to KEHP by TRS, were assumed to be paid in all years by the employer as they come due, they were not considered.
- Cash flows occur mid-year.
- Future contributions to the Health Trust were based upon the contribution rates defined in statute and the projected payroll of active employees. Per KRS 161.540(1)(c).3 and 161.550(5), when the Health Trust achieves a sufficient prefunded status, as determined by the retirement system's actuary, the following Health Trust statutory contributions are to be decreased, suspended, or eliminated:
 - Employee contributions
 - School District/University Contributions
 - State Contributions for KEHP premium subsidies payable to retirees who retire after June 30, 2010

To reflect these adjustments, open group projections were used and assumed an equal, pro rata reduction to the current statutory amounts in the years if/when the Health Trust is projected to achieve a Funded Ratio of 100% or more. Here, the current statutory amounts are adjusted to achieve total contributions equal to the Actuarially Determined Contribution (ADC), as determined by the prior year's valuation and in accordance with the Health Trust's funding policy. As the specific methodology to be used for the adjustments has yet to be determined, there may be differences between the projected results and future experience. This may also include any changes to retiree contributions for KEHP coverage pursuant to KRS 161.675(4)(b).

- In developing the adjustments to the statutory contributions in future years, the following was assumed:
 - Liabilities and cash flows are net of expected retiree contributions and any implicit subsidies attributable to coverage while participating in KEHP.
 - For the purposes of developing estimates for new entrants, active headcounts were assumed to remain flat for all future years.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 7.10%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

	<u>1% Decrease (6.10%)</u>	<u>Current discount rate (7.10%)</u>	<u>1% Increase (8.10%)</u>
District's proportionate share of the net OPEB liability	\$ 3,443,000	\$ 2,592,000	\$ 1,886,000

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates – The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current trend rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$ 1,751,000	\$ 2,592,000	\$ 3,443,000

OPEB plan fiduciary net position - Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report.

Life Insurance Plan

Plan description - Life Insurance Plan - TRS administers the life insurance plan as provided by Kentucky Revised Statute 161.655 to eligible active and retired members. The TRS Life Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the life insurance plan may be made by the TRS Board of Trustees and the General Assembly.

Benefits provided - TRS provides a life insurance benefit of five thousand dollars payable for members who retire based on service or disability. TRS provides a life insurance benefit of two thousand dollars payable for its active contributing members. The life insurance benefit is payable upon the death of the member to the member's estate or to a party designated by the member.

Contributions - in order to fund the post-retirement life insurance benefit, three hundredths of one percent (.03%) of the gross annual payroll of members is contributed by the state.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to KTRS Life Insurance Plan

At June 30, 2025, the District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	\$ -
Commonwealth's proportionate share of the Net OPEB liability associated with the District	<u>53,000</u>
	<u>\$ 53,000</u>

The net OPEB liability was measured as of June 30, 2024, and the total pension liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023. An expected total OPEB liability as of June 30, 2024 was determined using standard roll-forward techniques. The District's proportion of the net OPEB liability was based on the actual liability of the employees and former employees relative to the total liability of the Commonwealth as determined by the actuary. At June 30, 2024, the District's proportion was 0.214933%.

For the year ended June 30, 2025, the District recognized OPEB expense of \$-0- and revenue of \$6,439 for support provided by the State.

Actuarial methods and assumptions - The total OPEB liability was determined by applying procedures to the actuarial valuation as of June 30, 2023. The financial reporting actuarial valuation as of June 30, 2024, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.00 - 7.50%, including inflation
Inflation rate	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Municipal Bond Index Rate	3.94%
Discount Rate	7.10%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including inflation.

Mortality rates were based on the Pub-2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs and adjustments for each of the groups: service, retirees, contingent annuitants, disabled retirees and active members. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation and rates of plan election used in the June 30, 2023, valuation were based on the results of the most recent actuarial experience study for the system, which covered the five-year period ending June 30, 2020, adopted by the board on September 20, 2021. The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends) used in the June 30, 2023 valuation of the Health Trust were based on a review of recent plan experience done concurrently with the June 30, 2023 valuation. The health care cost trend assumption was updated for the June 30, 2023 valuation and was shown as an assumption change in the TOL roll-forward, while the change in initial per capita claims costs was included with experience in the TOL roll-forward.

The long-term expected rate of return on OPEB investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	40.0%	5.2%
Developed International Equity	15.0%	5.5%
Emerging Markets Equity	5.0%	6.1%
Fixed Income	21.0%	1.9%
Other Additional Categories	5.0%	4.0%
Real Estate	7.0%	3.2%
Private Equity	5.0%	8.0%
Cash	2.0%	1.6%
Total	<u>100.0%</u>	

Discount rate - The discount rate used to measure the total OPEB liability as of the measurement date was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB Statement No. 75. The projection's basis was an actuarial valuation performed as of June 30, 2023. In addition to the actuarial methods and assumptions of the June 30, 2023 actuarial valuation, the following actuarial methods and assumptions were used in the projection of the life insurance cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 2.75%.
- The employer will contribute the actuarially determined contribution (ADC) in accordance with the Life Insurance Trust's funding policy determined by a valuation performed on a date two years prior to the beginning of the fiscal year in which the ADC applies.
- As administrative expenses were assumed to be paid in all years by the employer as they come due, they were not considered.
- Active employees do not contribute to the plan.
- Cash flows occur midyear.

Based on these assumptions, the Life Insurance Trust's fiduciary net position was not projected to be depleted.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 7.10%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

	<u>1% Decrease (6.10%)</u>	<u>Current discount rate (7.10%)</u>	<u>1% Increase (8.10%)</u>
Commonwealth's proportionate share of the net OPEB liability associated with the District	\$ 90,000	\$ 53,000	\$ 22,000

OPEB plan fiduciary net position - Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report.

County Employees Retirement System Insurance Fund

Plan description: The County Employees Retirement System ("CERS") Insurance Fund was established to provide post-employment healthcare benefits to eligible members and dependents. The CERS Insurance Fund is a cost-sharing, multiple employer defined benefit plan administered by the Kentucky Retirement Systems' (KRS) board of trustees.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. The report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at <https://kyret.ky.gov>.

Benefits provided - CERS health insurance benefits are subject to various participation dates to determine eligibility and health insurance contribution rates. For employees who initiated participation in the CERS system prior to July 1, 2003, KRS pays a percentage of the monthly contribution rate for insurance coverage based on the retired member's years of service and type of service. Non-hazardous members receive a contribution subsidy for only the member's health insurance premium.

Percentage of contribution ranges from 0% for less than 4 years of service to 100% for 20 years or more of service. For members who initiated participation in the CERS system after July 1, 2003 until August 31, 2008, members must have 120 months of service in a state-administered retirement system to qualify for participation in the KRS health plans. Members who began participating with KRS on or after September 1, 2008, must have 180 months of service upon retirement to participate in the KRS health plans. Non-hazardous retirees receive \$10 toward the monthly premium for each full year of service.

Contributions: CERS allocates a portion of the employer contributions to the health insurance benefit plans. For the year ending June 30, 2025, CERS allocated 0.00% of the 19.71% actuarially required contribution rate paid by employers for funding the healthcare benefit. In addition, 1.00% of the contributions by employees hired after September 1, 2008 are allocated to the health insurance plan. During the year ending June 30, 2025, the District contributed \$-0- to the CERS Insurance Fund. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

Implicit Subsidy: The fully-insured premiums KRS pays for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. This implicit subsidy is included in the calculation of the total OPEB liability.

OPEB Liabilities (Assets), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CERS Insurance Fund

At June 30, 2025, the District reported a liability (asset) for its proportionate share of the net OPEB liability (asset). The net OPEB liability (asset) was measured as of June 30, 2024. The total OPEB liability (asset) used to calculate the net OPEB liability (asset) was based on an actuarial valuation as of June 30, 2023. An expected total pension liability (asset) as of June 30, 2024 was determined using standard roll-forward techniques. The District's proportion of the net OPEB liability (asset) was based on contributions to CERS during the fiscal year ended June 30, 2024. At June 30, 2024, the District's proportion was 0.0929%.

For the year ended June 30, 2025, the District recognized OPEB expense of approximately \$(427,000), including an implicit subsidy of \$43,561. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 89,154	\$ 1,264,381
Changes of assumptions	145,612	113,390
Net difference between projected and actual earnings on investments	-	146,647
Changes in proportion and differences between District contributions and proportionate share of contributions	19,309	163,219
District contributions subsequent to the measurement date	-	-
	<u>\$ 254,075</u>	<u>\$ 1,687,637</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$-0- resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability (asset) in the year ended June 30, 2026.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB are amortized over the average service life of all members. These will be recognized in OPEB expense as follows:

<u>Year</u>	
2026	\$ (574,185)
2027	(437,688)
2028	(393,626)
2029	(28,063)
	<u>\$ (1,433,562)</u>

Actuarial Methods and Assumptions - The total OPEB liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Payroll Growth Rate	2.00%
Inflation	2.50%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.50%
Healthcare Trend Rates	
Pre-65	Initial trend starting 7.10% at January 1, 2026 and gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years.
Post-65	Initial trend starting at 8.00% at January 1, 2026 and gradually decreasing to an ultimate trend rate of 4.25% over a period of 9 years.
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Non-Hazardous Systems, and the PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2020

Post-retirement (non-disabled)	mortality improvement scale using a base year of 2010. System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year 2010

Assumption Changes - The discount rate used to calculate the total OPEB liability increased from 5.93% to 5.99% for the nonhazardous plan. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2023, valuation process and was updated to better reflect the plan's anticipated long-term healthcare cost increases. In general, the updated assumption is assuming higher future increases in pre-Medicare healthcare costs.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity		
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Fixed Income		
Core Fixed Income	10.00%	2.85%
Specialty Credit	10.00%	3.82%
Cash	0.00%	1.70%
Inflation Protected		
Real Estate	7.00%	4.90%
Real Return	<u>13.00%</u>	5.35%
Total	<u>100.00%</u>	4.69%

Discount rate - The discount rate used to measure the total OPEB liability was 5.99%. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.50%, and a municipal bond rate of 3.97%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2024. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan's fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plan's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plans trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The following table presents the District's proportionate share of the collective net OPEB liability (asset) of the System, calculated using the discount rate of 5.99%, as well as what the District's proportionate share of the collective net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (4.99%) or 1-percentage-point higher (6.99%) than the current rate:

	<u>1% Decrease (4.99%)</u>	<u>Current discount rate (5.99%)</u>	<u>1% Increase (6.99%)</u>
District's proportionate share of the net OPEB liability (asset)	\$ 217,283	\$ (160,699)	\$ (478,506)

Sensitivity of the District's proportionate share of the collective net OPEB liability (asset) to changes in the healthcare cost trend rates - The following presents the District's proportionate share of the collective net OPEB liability (asset), as well as what the District's proportionate share of the collective net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current trend rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability (asset)	\$ (386,621)	\$ (160,699)	\$ 102,485

OPEB plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CERS financial report which is publicly available at <https://kyret.ky.gov>.

Payables to the OPEB plan: At June 30, 2025, there was a total payable to CERS of \$87,351, which includes pension and OPEB contributions.

(10) COMMITMENTS AND CONTINGENCIES

The District receives funding from Federal and State government agencies. These funds are to be used for designated purposes only. For Government agency grants, if based on the grantor's review the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

The District is subject to certain legal proceedings arising from normal business activities. Administrative officials believe that these actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the accompanying financial statements.

The District has outstanding construction commitments of approximately \$1,000,746 at June 30, 2025 for the High School renovation projects.

(11) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky Employer's Mutual Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational

and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Association's (KSBA) Unemployment Program; however, the District remains responsible for its own unemployment experience and contributions to the KSBA fund are based on the District's claims. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(12) COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. It is management's opinion that the District is in compliance with the COBRA requirements.

(13) INTERFUND TRANSACTIONS

Interfund Receivable and Payables: During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Interfund receivables and payables between funds are eliminated in the Statement of Net Position. The composition of interfund balances as of June 30, 2025 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue	\$ 90,635

Interfund Transfers: The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	General	Special Revenue	Technology Match	\$ 34,292
Operating	Building (FSPK)	Debt Service	Debt Service	1,644,301
Operating	Food Service	General	Indirect Costs	102,009
Operating	Building (FSPK)	General	Bus Purchases	323,575
Operating	SEEK	General	Debt Service	162,500

(14) ON-BEHALF PAYMENTS

For the year ended June 30, 2025, total payments of \$6,011,241 were made by the Commonwealth of Kentucky on behalf of the District for life and health insurance, KTRS matching and administrative fees, and SFCC debt service. These payments were recognized as on-behalf payments and are recorded in the appropriate revenue and expense account on the Statement of Activities and the Government Funds Statement of Revenue, Expenditures, and Changes in Fund Balance. The On-Behalf payments are not budgeted in the Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual.

On-behalf payments at June 30, 2025 consisted of the following:

Teacher Retirement	\$ 2,644,871
Health Insurance	2,576,599
Life Insurance	3,473
Admin Fee	27,720
HRA/Dental/Vision	146,475
Federal Reimbursement	(195,829)
Technology	45,783
Debt Service	762,149
Total on-behalf	\$ 6,011,241

(15) FUND DEFICIT

As of June 30, 2025, the Child Care Fund a negative net position of \$150,991. The deficit resulted from the fund's proportionate share of the net pension and OPEB liabilities recorded in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

(16) RESTATEMENT OF BEGINNING NET POSITION

The beginning net position of the governmental activities has been restated as follows:

During the fiscal year, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. The adoption of this new accounting principle required a change in the method of recognizing liabilities for compensated absences. As a result, the beginning net position was decreased by \$762,911.

The cumulative effect of these adjustments is as follows:

	Governmental Activities
Beginning Net Position, as previously reported	\$ 24,508,297
Implementation of GASB 101	<u>(762,911)</u>
Beginning Net Position, as restated	<u>\$ 23,745,386</u>

REQUIRED SUPPLEMENTARY INFORMATION

**BATH COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2025**

	Reporting Fiscal Year (Measurement Date)									
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
COUNTY EMPLOYEES RETIREMENT SYSTEM:										
District's proportion of the net pension liability	0.093%	0.099%	0.103%	0.100%	0.106%	0.103%	0.101%	0.108%	0.114%	0.112%
District's proportionate share of the net pension liability	\$ 5,550,371	\$ 6,329,116	\$ 7,453,402	\$ 6,393,063	\$ 8,116,230	\$ 7,277,935	\$ 6,176,604	\$ 6,338,898	\$ 5,619,137	\$ 4,804,458
District's covered payroll	\$ 2,934,743	\$ 2,863,235	\$ 2,851,568	\$ 2,562,248	\$ 2,801,077	\$ 2,651,967	\$ 2,530,829	\$ 2,651,634	\$ 2,739,498	\$ 2,641,239
District's proportionate share of the net pension liability as a percentage of its covered payroll	189.126%	221.048%	261.379%	249.510%	289.754%	274.435%	244.055%	239.056%	205.116%	181.902%
Plan fiduciary net position as a percentage of the total pension liability	61.61%	57.48%	52.42%	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%
KENTUCKY TEACHER'S RETIREMENT SYSTEM:										
District's proportion of the net pension liability	0.227%	0.228%	0.231%	0.238%	0.235%	0.237%	0.256%	0.273%	0.272%	0.271%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	37,283,738	38,898,829	39,043,144	30,941,862	33,330,173	32,298,649	33,568,027	73,569,801	80,308,734	62,972,694
Total	<u>\$ 37,283,738</u>	<u>\$ 38,898,829</u>	<u>\$ 39,043,144</u>	<u>\$ 30,941,862</u>	<u>\$ 33,330,173</u>	<u>\$ 32,298,649</u>	<u>\$ 33,568,027</u>	<u>\$ 73,569,801</u>	<u>\$ 80,308,734</u>	<u>\$ 62,972,694</u>
District's covered payroll	\$ 9,690,315	\$ 9,727,385	\$ 9,806,428	\$ 9,023,468	\$ 8,669,307	\$ 8,529,039	\$ 8,890,073	\$ 9,239,972	\$ 9,015,981	\$ 8,831,710
District's proportionate share of the net pension liability as a percentage of its covered payroll	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Plan fiduciary net position as a percentage of the total pension liability	60.36%	57.68%	56.41%	65.59%	58.27%	58.80%	59.30%	39.83%	35.22%	42.49%

**BATH COUNTY SCHOOL DISTRICT
SCHEDULE OF PENSION CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2025**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
COUNTY EMPLOYEES RETIREMENT SYSTEM:										
Contractually required contribution	\$ 621,748	\$ 684,969	\$ 669,997	\$ 603,677	\$ 494,513	\$ 540,541	\$ 430,149	\$ 366,464	\$ 369,903	\$ 340,237
Contributions in relation to the contractually required contribution	<u>621,748</u>	<u>684,969</u>	<u>669,997</u>	<u>603,677</u>	<u>494,513</u>	<u>540,541</u>	<u>430,149</u>	<u>366,464</u>	<u>369,903</u>	<u>340,237</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered payroll	\$ 3,154,480	\$2,934,743	\$2,863,235	\$2,851,568	\$2,562,248	\$2,801,077	\$2,651,967	\$2,530,829	\$2,651,634	\$2,739,498
District's contributions as a percentage of its covered payroll	19.71%	23.34%	23.40%	21.17%	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%
 KENTUCKY TEACHER'S RETIREMENT SYSTEM:										
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered payroll	\$10,238,800	\$9,690,315	\$9,727,385	\$9,806,428	\$9,023,468	\$8,669,307	\$8,529,039	\$8,890,073	\$9,239,972	\$9,015,981
District's contributions as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

**BATH COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY (ASSET)
FOR THE YEAR ENDED JUNE 30, 2025**

	Reporting Fiscal Year (Measurement Date)							
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
COUNTY EMPLOYEES RETIREMENT SYSTEM								
INSURANCE FUND:								
District's proportion of the net OPEB liability (asset)	0.093%	0.099%	0.103%	0.100%	0.106%	0.103%	0.101%	0.108%
District's proportionate share of the net OPEB liability (asset)	\$ (160,699)	\$ (136,182)	\$ 2,034,416	\$ 1,919,198	\$ 2,554,869	\$ 1,740,083	\$ 1,800,585	\$ 2,177,120
District's covered payroll	\$ 2,934,743	\$ 2,863,245	\$ 2,851,574	\$ 2,562,248	\$ 2,801,077	\$ 2,651,967	\$ 2,530,829	\$ 2,651,634
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-5.476%	-4.756%	71.344%	74.903%	91.210%	65.615%	71.146%	82.105%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	104.89%	104.23%	60.95%	62.91%	51.70%	60.40%	57.62%	52.40%
KENTUCKY TEACHER'S RETIREMENT SYSTEM - MEDICAL INSURANCE PLAN:								
District's proportion of the net OPEB liability	0.21987%	0.22118%	0.22214%	0.23133%	0.22881%	0.22998%	0.24813%	0.26263%
District's proportionate share of the net OPEB liability	\$ 2,592,000	\$ 2,923,000	\$ 4,151,000	\$ 2,739,000	\$ 3,206,000	\$ 3,724,000	\$ 4,624,000	\$ 5,154,000
State's proportionate share of the net OPEB liability associated with the District	2,309,000	2,464,000	1,364,000	2,225,000	2,568,000	3,007,000	3,985,000	4,210,000
Total	<u>\$ 4,901,000</u>	<u>\$ 5,387,000</u>	<u>\$ 5,515,000</u>	<u>\$ 4,964,000</u>	<u>\$ 5,774,000</u>	<u>\$ 6,731,000</u>	<u>\$ 8,609,000</u>	<u>\$ 9,364,000</u>
District's covered payroll	\$ 8,012,833	\$ 7,538,700	\$ 7,389,133	\$ 7,689,233	\$ 7,485,949	\$ 7,377,733	\$ 7,900,937	\$ 8,255,348
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	32.348%	38.773%	56.177%	35.621%	42.827%	50.476%	58.525%	62.432%
Plan fiduciary net position as a percentage of the total OPEB liability	59.81%	52.97%	47.75%	51.74%	39.05%	32.58%	25.50%	21.18%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**BATH COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY (ASSET) (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2025**

	Reporting Fiscal Year (Measurement Date)							
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
KENTUCKY TEACHER'S RETIREMENT SYSTEM - LIFE INSURANCE PLAN:								
District's proportion of the net OPEB liability	0.21493%	0.21604%	0.21811%	0.22616%	0.22371%	0.22484%	0.24247%	0.25671%
District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the District	53,000	61,000	68,000	30,000	78,000	70,000	68,000	56,000
Total	<u>\$ 53,000</u>	<u>\$ 61,000</u>	<u>\$ 68,000</u>	<u>\$ 30,000</u>	<u>\$ 78,000</u>	<u>\$ 70,000</u>	<u>\$ 68,000</u>	<u>\$ 56,000</u>
District's covered payroll	\$ 8,012,833	\$ 7,538,700	\$ 7,389,133	\$ 7,689,233	\$ 7,485,949	\$ 7,377,733	\$ 7,900,937	\$ 8,255,348
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Plan fiduciary net position as a percentage of the total OPEB liability	80.56%	76.91%	73.97%	89.15%	71.57%	73.40%	75.00%	79.99%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as the become available.

**BATH COUNTY SCHOOL DISTRICT
SCHEDULE OF OPEB CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2025**

	2025	2024	2023	2022	2021	2020	2019	2018	2017
COUNTY EMPLOYEES RETIREMENT SYSTEM INSURANCE FUND:									
Contractually required contribution	\$ -	\$ -	\$ 97,064	\$ 164,821	\$ 121,963	\$ 133,315	\$ 139,494	\$ 118,949	\$ 125,414
Contributions in relation to the contractually required contribution	-	-	97,064	164,821	121,963	133,315	139,494	118,949	125,414
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
District's covered payroll	\$ 3,154,480	\$ 2,934,743	\$ 2,863,245	\$ 2,851,574	\$ 2,562,248	\$ 2,801,077	\$ 2,651,967	\$ 2,530,829	\$ 2,651,634
District's contributions as a percentage of its covered payroll	0.00%	0.00%	3.39%	5.78%	4.76%	4.76%	5.26%	4.70%	4.73%
KENTUCKY TEACHER'S RETIREMENT SYSTEM - MEDICAL INSURANCE PLAN:									
Contractually required contribution	\$ 267,769	\$ 240,385	\$ 226,161	\$ 221,674	\$ 230,677	\$ 224,542	\$ 221,333	\$ 237,028	\$ 247,660
Contributions in relation to the contractually required contribution	267,769	240,385	226,161	221,674	230,677	224,542	221,333	237,028	247,660
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
District's covered payroll	\$ 8,931,236	\$ 8,012,833	\$ 7,538,700	\$ 7,389,133	\$ 7,689,233	\$ 7,485,949	\$ 7,377,733	\$ 7,900,937	\$ 8,255,348
District's contributions as a percentage of its covered payroll	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**BATH COUNTY SCHOOL DISTRICT
SCHEDULE OF OPEB CONTRIBUTIONS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2025**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
KENTUCKY TEACHER'S RETIREMENT SYSTEM - LIFE INSURANCE PLAN:									
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
District's covered payroll	\$ 8,931,236	\$ 8,012,833	\$ 7,538,700	\$ 7,389,133	\$ 7,689,233	\$ 7,485,949	\$ 7,377,733	\$ 7,900,937	\$ 8,255,348
District's contributions as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**BATH COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS
FOR THE YEAR ENDED JUNE 30, 2025**

(1) CHANGES OF ASSUMPTIONS

KTRS

In 2015, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.23% to 4.88%.

In the 2016 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2016 valuation, the Assumed Salary Scale, Price Inflation, and Wage Inflation were adjusted to reflect a decrease. In addition, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.88% to 4.20%.

In 2017, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.20% to 4.49%.

In 2018, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.49% to 7.50%.

In the 2020 experience study, rates of withdrawal, retirement, disability, mortality, and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, set-backs, and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees, and actives. The assumed long-term investment rate of return was changed from 7.50% to 7.10% and the price inflation assumption was lowered from 3.00% to 2.50%. In addition, the calculation of the SEIR results in an assumption change from 7.50% to 7.10%.

CERS

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
- The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

**BATH COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION – PENSION PLANS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2025**

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2017:

- Decreased the price inflation assumption to 2.30%.
- Decreased the assumed rate of return to 6.25%.
- Decreased the payroll growth assumption to 2.00%.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2019:

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.30% (varies by service.)
- The mortality table used for pre-retirement is PUB-2010 General Mortality table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) is a system specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
- The mortality table used for post-retirement (disabled) is PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

For the valuation performed as of June 30, 2023, demographic and economic assumptions were updated based on the 2022 experience study and the single discount rates used to calculate the total OPEB liability was changed to 6.50%. A 1% increase in the rate of retirement for each of the first two years a nonhazardous member becomes retirement eligible under the age of 65 is assumed to reflect the shift in retirement pattern due to House Bill 506. Additionally, in conjunction with the review of the healthcare per capita claims cost, the assumed increase in the future healthcare costs, or trend assumption, is reviewed on an annual basis. The trend assumption for the non-Medicare Plans was increased during the select period as a result of this review.

(2) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

KTRS

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	22.9 years
Asset Valuation Method	5-year smoothed market
Inflation	2.5%
Salary Increase	3.0% to 7.5%, including inflation
Investment Rate of Return	7.1%, net of pension plan investment expense, including inflation

**BATH COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION – PENSION PLANS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2025**

CERS

The following actuarial methods and assumptions were used to determine contribution rates for the year ending June 30, 2024:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	30 years, closed
Payroll Growth	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%, net of pension plan investment expense, including inflation
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Phase-in provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018

(3) CHANGES OF BENEFITS

KTRS

A new benefit tier was added for members joining KTRS on and after January 1, 2022.

CERS

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The Total Pension Liability as of June 30, 2019 is determined using these updated benefit provisions.

Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for qualified members who become "totally and permanently disabled" as a result of a duty-related disability. The minimum disability benefit increased from 25% of the member's monthly final rate of pay to 75% of the member's monthly average pay. The insurance premium for the member, the member's spouse, and the member's dependent children shall also be paid in full by the System. For non-hazardous members to be eligible for this benefit, they must be working in a position that could be certified as a hazardous position. There were no other material plan provision changes since the prior valuation.

**BATH COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION – PENSION PLANS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2025**

Senate Bill 209 passed during the 2022 legislative session increased the insurance dollar contribution for members hired on or after July 1, 2003 by \$5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023.

House Bill 506 passed during the 2023 legislative session reinstated the Partial Lump Sum Options (PLSO) form of payment for members retiring on or after January 1, 2024. The bill introduced an expansion of the lump-sum payment options, allowing for payouts equal to 48 or 60 times the member's Basic, or Survivorship 100% monthly retirement allowance. The lifetime monthly retirement allowance is adjusted actuarially to account for the selected lump sum payment option. House Bill 506 additionally modified the minimum separation period required for a retiree to reemploy with a participating employer of the Systems administered by the KPPA while still receiving their retirement allowance. This adjustment standardized the separation period to one month for all scenarios within each plan for retirement dates effective January 1, 2024 and after.

**BATH COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB PLANS
FOR THE YEAR ENDED JUNE 30, 2025**

(1) CHANGES OF ASSUMPTIONS

KTRS

Medical Insurance Plan & Life Insurance Plan: The following change of assumptions were adopted by the Board of Trustees and reflected in the liability measurement as of June 30, 2020:

- In the 2020 experience study, rates of withdrawal, retirement, disability, mortality and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub-2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, set-backs and adjustments for each of the groups: service retirees, contingent annuitants, disabled retirees and actives.
- The assumed long-term investment rate of return was changed from 7.5% to 7.1%. The price inflation assumption was lowered from 3% to 2.5%.
- The rates of member participation and spousal participation were adjusted to reflect actual experience more closely.

For 2022, the health care trend rates were updated to reflect future anticipated experience.

For 2024, the health care trend rates, as well as the morbidity factors, were updated to reflect future anticipated experience.

CERS Insurance Fund

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2017:

- Decreased the price inflation assumption to 2.30%.
- Decreased the assumed rate of return to 6.25%.
- Decreased the payroll growth assumption to 2.00%.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2019:

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.30% (varies by service).
- The mortality table used for pre-retirement is PUB-2010 General Mortality table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) is a system specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
- The mortality table used for post-retirement (disabled) is PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

**BATH COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION – OPEB PLANS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2025**

For the June 30, 2020 measurement date, the assumed increase in future health care costs, or trend assumption, is reviewed on an annual basis and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. The assumed impact of the Cadillac Tax (previously a 0.9% load on employer paid non-Medicare premiums for those who became participants prior to July 1, 2003) was removed to reflect its repeal since the prior valuation.

For the June 30, 2022 measurement date, the single discount rates used to calculate the total OPEB liability was changed to 5.70%.

For the valuation performed as of June 30, 2023, demographic and economic assumptions were updated based on the 2022 experience study and the single discount rates used to calculate the total OPEB liability was changed to 5.93%. A 1% increase in the rate of retirement for each of the first two years a nonhazardous member becomes retirement eligible under the age of 65 is assumed to reflect the shift in retirement pattern due to House Bill 506. Additionally, in conjunction with the review of the healthcare per capita claims cost, the assumed increase in the future healthcare costs, or trend assumption, is reviewed on an annual basis. The trend assumption for the non-Medicare Plans was increased during the select period as a result of this review.

For the valuation performed as of June 30, 2024, the discount rate used to calculate the total OPEB liability increased from 5.93% to 5.99% for the nonhazardous plan. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2023, valuation process and was updated to better reflect the plan's anticipated long-term healthcare cost increases. In general, the updated assumption is assuming higher future increases in pre-Medicare healthcare costs.

(2) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

KTRS

Medical Insurance Plan – The Health Trust is not funded based on an actuarially determined contribution, but instead is funded based on statutorily determined amounts.

Life Insurance Plan - The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of the schedule:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	23 years, Closed
Asset valuation method	Five-year smoothed value
Inflation	2.50%
Real wage growth	0.50%
Wage inflation	2.75%
Salary increases, including wage inflation	3.00% - 7.50%, including wage inflation
Discount rate	7.10%

**BATH COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION – OPEB PLANS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2025**

CERS Insurance Fund

The following actuarial methods and assumptions, for actuarially determined contributions effective for fiscal year ending June 30, 2024:

Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.20% at January 1, 2024, gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2023 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post-65	Initial trend starting at 9.00% at January 1, 2024 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2023 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

(3) CHANGES OF BENEFITS

KTRS

Medical Insurance Plan – A new benefit tier was added for members joining the System on and after January 1, 2022.

Life Insurance Plan - A new benefit tier was added for members joining the System on and after January 1, 2022.

CERS

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2019, is determined using these updated benefit provisions.

**BATH COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION – OPEB PLANS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2025**

Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for certain qualifying members who become “totally and permanently disabled” in the line of duty or as a result of a duty-related disability. The total OPEB liability as of June 30, 2021 is determined using these updated benefit provisions.

House Bill 506 passed during the 2023 legislative session reinstated the Partial Lump Sum Options (PLSO) form of payment for members retiring on or after January 1, 2024. The bill introduced an expansion of the lump-sum payment options, allowing for payouts equal to 48 or 60 times the member’s Basic, or Survivorship 100% monthly retirement allowance. The lifetime monthly retirement allowance is adjusted actuarially to account for the selected lump sum payment option. House Bill 506 additionally modified the minimum separation period required for a retiree to reemploy with a participating employer of the Systems administered by the KPPA while still receiving their retirement allowance. This adjustment standardized the separation period to one month for all scenarios within each plan for retirement dates effective January 1, 2024 and after.

SUPPLEMENTARY INFORMATION

**BATH COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2025**

	District Activity Fund	Student Activity Fund	SEEK Fund	FSPK Fund	Debt Service Funds	Total Non-Major Governmental Funds
ASSETS:						
Cash and cash equivalents	\$ 107,224	\$ 270,522	\$ 116,717	\$ 438,546	\$ -	\$ 933,009
Accounts receivable	-	-	-	-	-	-
Total assets	<u>\$ 107,224</u>	<u>\$ 270,522</u>	<u>\$ 116,717</u>	<u>\$ 438,546</u>	<u>\$ -</u>	<u>\$ 933,009</u>
LIABILITIES AND FUND BALANCE:						
Liabilities:						
Accounts payable	\$ 1,344	\$ -	\$ -	\$ -	\$ -	\$ 1,344
Total liabilities	<u>1,344</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,344</u>
Fund Balances:						
Restricted	-	270,522	116,717	438,546	-	825,785
Committed	105,880	-	-	-	-	105,880
Total fund balance	<u>105,880</u>	<u>270,522</u>	<u>116,717</u>	<u>438,546</u>	<u>-</u>	<u>931,665</u>
Total liabilities and fund balances	<u>\$ 107,224</u>	<u>\$ 270,522</u>	<u>\$ 116,717</u>	<u>\$ 438,546</u>	<u>\$ -</u>	<u>\$ 933,009</u>

**BATH COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025**

	District Activity Fund	Student Activity Fund	SEEK Fund	FSPK Fund	Debt Service Funds	Total Non-Major Governmental Funds
REVENUES:						
From local sources -						
Property taxes	\$ -	\$ -	\$ -	\$ 722,076	\$ -	\$ 722,076
Other local revenues	97,567	277,593	-	-	-	375,160
Intergovernmental - State	-	-	168,719	1,321,106	762,149	2,251,974
Total revenues	<u>97,567</u>	<u>277,593</u>	<u>168,719</u>	<u>2,043,182</u>	<u>762,149</u>	<u>3,349,210</u>
EXPENDITURES:						
Current -						
Instruction	106,019	254,643	-	-	-	360,662
Student support services	195	-	-	-	-	195.00
Instructional staff support services	20,479	-	-	-	-	20,479
Debt service	-	-	-	-	2,406,450	2,406,450
Total expenditures	<u>126,693</u>	<u>254,643</u>	<u>-</u>	<u>-</u>	<u>2,406,450</u>	<u>2,787,786</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(29,126)</u>	<u>22,950</u>	<u>168,719</u>	<u>2,043,182</u>	<u>(1,644,301)</u>	<u>561,424</u>
OTHER FINANCING SOURCES (USES):						
Operating transfers in	-	-	-	-	1,644,301	1,644,301
Operating transfers out	-	-	(162,500)	(1,967,876)	-	(2,130,376)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(162,500)</u>	<u>(1,967,876)</u>	<u>1,644,301</u>	<u>(486,075)</u>
NET CHANGE IN FUND BALANCES	(29,126)	22,950	6,219	75,306	-	75,349
FUND BALANCE JUNE 30, 2024	<u>135,006</u>	<u>247,572</u>	<u>110,498</u>	<u>363,240</u>	<u>-</u>	<u>856,316</u>
FUND BALANCE JUNE 30, 2025	<u>\$ 105,880</u>	<u>\$ 270,522</u>	<u>\$ 116,717</u>	<u>\$ 438,546</u>	<u>\$ -</u>	<u>\$ 931,665</u>

**BATH COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025**

	Cash Balance June 30, 2024	Receipts	Disbursements	Cash Balance June 30, 2025	Accounts Receivable	Accounts Payable	Restricted Fund Balance June 30, 2025
Bath County High School	\$ 113,937	\$ 125,100	\$ 112,767	\$ 126,270	\$ -	\$ -	\$ 126,270
Bath County Middle School	94,117	59,977	49,925	104,169	-	-	104,169
Owingsville Elementary	32,633	48,854	51,288	30,199	-	-	30,199
Crossroads Elementary	6,885	43,662	40,663	9,884	-	-	9,884
	<u>\$ 247,572</u>	<u>\$ 277,593</u>	<u>\$ 254,643</u>	<u>\$ 270,522</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 270,522</u>

BATH COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SCHOOL ACTIVITY FUNDS
BATH COUNTY HIGH SCHOOL
FOR THE YEAR ENDED JUNE 30, 2025

	Cash Balance June 30, 2024	Receipts	Disburse- ments	Cash Balance June 30, 2025	Accounts Receivable (Accounts Payable)	Restricted Fund Balance June 30, 2025
General	\$ 24,049	\$ 12,846	\$ 5,280	\$ 31,615	\$ -	\$ 31,615
Change	-	2,000	2,000	-	-	-
Guidance	933	220		1,153	-	1,153
Student Government	563	-	33	530	-	530
Senior Trip	2,815	246	-	3,061	-	3,061
Faculty	537	545	947	135	-	135
Academic Team	434	-	100	334	-	334
Beta Club	2,540	3,953	3,598	2,895	-	2,895
JAG	-	275	133	142	-	142
FBLA	2,128	105	205	2,028	-	2,028
FCCLA	2,086	1,347	2,427	1,006	-	1,006
FFA	224	885	100	1,009	-	1,009
FCA	75	-	-	75	-	75
Skills USA	17	-	-	17	-	17
Sunrise Productions	7,102	7,482	8,360	6,224	-	6,224
TSA	-	654	99	555	-	555
AG-Science	781	370	89	1,062	-	1,062
Art	515	892	545	862	-	862
Music	1,439	729	125	2,043	-	2,043
Drama	258	2,003	-	2,261	-	2,261
Strategic Gaming	508	340	-	848	-	848
Library	294	-	-	294	-	294
Hort	180	-	-	180	-	180
Journalism	2,943	565	1,660	1,848	-	1,848
Health/Science	92	-	92	-	-	-
Language Arts	432	-	432	-	-	-
Culinary	3,597	10,291	6,200	7,688	-	7,688
Cats Corner	303	375	326	352	-	352
Athletics	34,634	28,983	33,206	30,411	-	30,411
Baseball	521	1,431	777	1,175	-	1,175
Boys Basketball	1,602	1,200	2,420	382	-	382
Boys Golf	-	500	430	70	-	70
Cheerleaders	392	8,175	7,247	1,320	-	1,320
Cross Country	1,093	500	680	913	-	913
Football	485	2,800	3,000	285	-	285
Girls Golf	-	500	-	500	-	500
Girls Basketball	6	1,700	1,700	6	-	6
Girls Softball	1,721	5,373	4,748	2,346	-	2,346
Girls Track	1,506	435	272	1,669	-	1,669
Bass Fishing Team	475	-	-	475	-	475
Boys Soccer	49	375	369	55	-	55
Girls Soccer	1,066	2,946	1,969	2,043	-	2,043
Boys Track	1,291	355	876	770	-	770
Girls Volleyball	1,908	1,464	1,525	1,847	-	1,847
Junior Class	7,434	10,204	8,122	9,516	-	9,516
Sophomore Class	4,371	4,728	5,709	3,390	-	3,390
Senior Class	-	7,915	7,915	-	-	-
Freshman Class	-	342	-	342	-	342
Youth Service Center	479	-	-	479	-	479
Backpack	59	-	-	59	-	59
DA - Horticulture	-	16,313	16,313	-	-	-
DA - Art	-	2,279	2,279	-	-	-
	<u>113,937</u>	<u>144,641</u>	<u>132,308</u>	<u>126,270</u>	<u>-</u>	<u>126,270</u>
Less: Inter-fund Transfers	<u>-</u>	<u>(19,541)</u>	<u>(19,541)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 113,937</u>	<u>\$ 125,100</u>	<u>\$ 112,767</u>	<u>\$ 126,270</u>	<u>\$ -</u>	<u>\$ 126,270</u>

BATH COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

Federal Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Pass-Through Grantor's Number	Program or Award Amount	Passed through to Subrecipients	Expenditures
<u>U.S. Department of Education</u>					
Pass-through Kentucky Department of Education:					
Title I Grants to Local Educational Agencies	84.010	310002-22	\$ 1,155,092	\$ -	\$ 12,331 *
Title I Grants to Local Educational Agencies	84.010	310002-23	1,166,893	-	354,899 *
Title I Grants to Local Educational Agencies	84.010	310002-24	1,157,264	-	715,386 *
				-	1,082,616
Special Education Cluster (IDEA):					
Special Education Grants to States - IDEA, Part B	84.027	3810002-23	523,051	-	25,672
Special Education Grants to States - IDEA, Part B	84.027	3810002-24	523,051	-	490,988
Special Education Preschool Grants	84.173	3800002-23	32,807	-	12,934
Special Education Preschool Grants	84.173	3800002-24	32,807	-	9,649
				-	539,243
Title VI - Rural & Low Income	84.358	3140002-23	55,918	-	38,593
Title VI - Rural & Low Income	84.358	3140002-24	63,772	-	15,641
				-	54,234
Improving Teacher Quality State Grants	84.367	3230002-22	139,363	-	2,396
Improving Teacher Quality State Grants	84.367	3230002-23	136,975	-	14,457
Improving Teacher Quality State Grants	84.367	3230002-24	137,615	-	137,615
				-	154,468
Student Support and Academic Enrichment Grant	84.424	3420002-23	93,768	-	21,891
Student Support and Academic Enrichment Grant	84.424	3420002-24	88,092	-	88,092
				-	109,983
Vocational Education Basic Grants to States	84.048	3710002-23	46,586	-	13
Vocational Education Basic Grants to States	84.048	3710002-24	44,995	-	44,995
				-	45,008
ESSER III Fund - ARPA	84.425U	4300006-21	62,500	-	62,500
ESSER III Fund - ARPA	84.425U	4300007-21	62,500	-	62,500
ESSER III Funds - ARPA	84.425U	563J	36,240	-	2,944
ESSER III Funds - ARPA	84.425U	4300002-21	8,121,777	-	6,291
				-	134,235
Title X Part C ESEA McKinney-Vento Homeless	84.196	316L	656,250	-	125,870
				-	125,870
Pass-through Council on Postsecondary Education:					
Gear UP IV	84.334S	614L	17,555	-	4,911
				-	4,911
Pass-through Kentucky Educational Development Corporation:					
Migrant Education - State Grant Program	84.011	311J	78,505	-	62,412
Migrant Education - State Grant Program	84.011	311K	78,505	-	31,456
Migrant Education - State Grant Program	84.011	311L	30,000	-	18,866
				-	112,734
Total U.S. Department of Education				-	2,363,302
<u>U.S. Department of Agriculture</u>					
Pass-through Kentucky Department of Education:					
Cash Assistance:					
State Administrative Expense	10.560	7700001-24	-	-	7,272
Child and Adult Care Food Program	10.558	7800016-24	-	-	293
Child and Adult Care Food Program	10.558	7800016-25	-	-	4,489
Child and Adult Care Food Program	10.558	7790021-24	-	-	5,205
Child and Adult Care Food Program	10.558	7790021-25	-	-	65,606
				-	82,865

The accompanying notes are an integral part of this schedule.

**BATH COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2025**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>	<u>Passed through to Subrecipients</u>	<u>Expenditures</u>
Child Nutrition Cluster:					
National School Lunch Program	10.555	7750002-24	-	-	177,174
National School Lunch Program	10.555	7750002-25	-	-	851,963
Summer Food Service Program for Children	10.559	7690024-24	-	-	2,859
Summer Food Service Program for Children	10.559	7740023-24	-	-	60,294
School Breakfast Program	10.553	7760005-24	-	-	107,224
School Breakfast Program	10.553	7760005-25	-	-	532,957
Fresh Fruit and Vegetable Program	10.582	7720012-24	-	-	4,568
Fresh Fruit and Vegetable Program	10.582	7720012-25	-	-	62,360
Subtotal				-	1,799,399
Non-Cash Assistance (Food Distribution):					
National School Lunch Program	10.555	4000810	-	-	100,392
Total Child Nutrition Cluster				-	1,899,791
Total U.S. Department of Agriculture				-	1,982,656
Total expenditures of Federal awards				\$ -	\$ 4,345,958

* Denotes major program.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Bath County School District under the programs of the federal government for the year ended June 30, 2025. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Bath County School District, it is not intended to and does not present the financial position, changes in net assets or cash flows of the District.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE C - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2025, the organization had total inventory of \$11,510.

NOTE D - INDIRECT COST RATES

The District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Kentucky State Committee for
School District Audits
Members of the Board of Education
Bath County School District
Owingsville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bath County School District (the "District") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 2, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect, and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated December 2, 2025.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kelley Hallaway Smith Hobbs, BC

Ashland, Kentucky
December 2, 2025



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Kentucky State Committee for
School District Audits
Members of the Board of Education
Bath County School District
Owingsville, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Bath County School District's (the "District") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2025. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Kelley Dalloway Smith Bookley, PSC

Ashland, Kentucky
December 2, 2025

**BATH COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025**

(A) SUMMARY OF AUDIT RESULTS

Type of report the auditor issued on whether
the financial statements audited were prepared
in accordance with GAAP:

Unmodified

Internal Control over financial reporting:

Material weakness(es) identified?

_____ yes x no

Significant deficiency(ies)
identified?

_____ yes x none reported

Noncompliance material to the financial
statements noted?

_____ yes x no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

_____ yes x no

Significant deficiency(ies)
identified?

_____ yes x none reported

Type of auditor's report issued on
compliance for major federal programs:

Unmodified

Any audit findings disclosed that are
required to be reported in accordance
with 2 CFR 200.516(a)?

_____ yes x no

Identification of major federal programs:

Title I Grants to Local Educational Agencies (84.010)

Dollar threshold to distinguish between Type A
and Type B Programs:

\$ 750,000

The District qualified as a low risk auditee?

 x yes _____ no

(B) FINANCIAL STATEMENT FINDINGS

None noted in the current year.

(C) FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted in the current year.

BATH COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2025

There were no findings in the prior year.



Kelley **G**alloway
Smith **G**oolsby, PSC

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Kentucky State Committee for School District Audits
Members of the Board of Education
Bath County School District
Owingsville, Kentucky

In planning and performing our audit of the financial statements of Bath County School District (the "District") as of and for the year ended June 30, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered the District's system of internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit, we became aware of matters that are an opportunity for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated December 2, 2025, on the financial statements of the District.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
December 2, 2025

BATH COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE YEAR ENDED JUNE 30, 2025

2025-001 Booster Clubs

Statement of Condition: We noted that booster club Annual Financial Reports were not being submitted on a timely basis at the high school, Owingsville Elementary School and Crossroads Elementary School.

Criteria for Condition: Annual Financial Reports of each of the booster clubs should be prepared and submitted to the school by July 25th.

Cause of Condition: Unknown.

Effect of the Condition: Annual Financial Reports of the booster clubs were not available on a timely basis.

Recommendation of the Condition: We recommend that more care be taken to ensure that the Annual Financial Reports are prepared on a timely basis.

Management Response: Board Policy, 04.312, addresses all the requirements for Annual Financial Reports for submission to the schools. The District shall reinforce the guidelines within the policy. Booster groups will be communicated with and reminded regularly by all administrative staff, including Athletic Directors/ Principals/ Bookkeepers to receive the proper reports on a timely basis. Multiple reminders will be sent out before these reports are due. Annual *Redbook* training is also provided and mandatory for each booster group. Any group which does not comply for a few years in a row will be evaluated and the board would have the discretion to abolish the group at that time. A management letter will be sent to each of the booster groups communicating this information.

2025-002 Fundraising

Statement of Condition: We noted two instances in which fundraisers were not adequately documented. The required fundraiser summary form (F-SA-2B) was not completed for two fundraisers at Owingsville Elementary School.

Criteria for Condition: Fundraisers are required to be documented on Form F-SA-2B by the *Redbook*.

Cause of Condition: Oversight.

Effect of the Condition: Noncompliance with *Redbook* requirements.

Recommendation of the Condition: We recommend that more care be taken to ensure that all fundraiser summary forms are properly completed.

Management Response: *Redbook* addresses all the requirements for fundraisers. The district office and management shall reinforce the guidelines within *Redbook*. Annual *Redbook* training is mandatory for each bookkeeper and Principal each year. A central office staff member will be assigned the role of oversight of the activity funds as well.

2025-003 Annual Financial Report

Statement of Condition: We noted that the Annual Financial Report was completed after the July 25th *Redbook* deadline at Crossroads Elementary School and Owingsville Elementary School.

Criteria for Condition: The *Redbook* requires the Annual Financial Report to be completed by July 25th.

Cause of Condition: Oversight.

Effect of the Condition: Noncompliance with *Redbook* requirements.

Recommendation of the Condition: We recommend that more care be taken to ensure that the Annual Financial Report is completed before July 25th, as required by the *Redbook*.

Management Response: *Redbook* outlines the requirements of preparation of the Annual Financial Report. The District shall reinforce these guidelines with each Bookkeeper and Principal to ensure that Annual Financial Reports are prepared in accordance with requirements and no procedures are missed. A central office staff member will be assigned the role of oversight of the activity funds as well.

Status of Prior Year Management Points

The prior year conditions 2024-001 was repeated as 2025-001 above. The Superintendent is the person responsible for initiation of the optional corrective action plan for the above conditions which will be implemented immediately. The corrective action plan is the management response for each condition.